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USSR Report

INTERNATIONAL ECONOMIC RELATIONS



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CONTENTS

THE AMERICAS

Meeting of Soviet-American Trade Commission Reviewed (EKONOMICHESKAYA GAZETA, No 22, May 85)	1
---	---

ASIA

Cooperation With Cambodia Discussed (Ivan Dvuzhilov; FOREIGN TRADE, No 4, Apr 85)	3
--	---

CEMA/EASTERN EUROPE

Soviet Investment Cooperation With CEMA Outlined (Tadeush Teodorovich; FOREIGN TRADE, No 4, Apr 85)	7
CEMA Cooperation in Science and Technology Detailed (A. F. Kamenev; EKONOMICHESKAYA GAZETA, No 16, Apr 85) ...	20
CEMA Countries' Credit Planning (S. Chernetsov; PLANOVYE KHOZYAYSTVO, No 4, Apr 85)	23
USSR-GDR Cooperation in Machine-Tool Industry (Rudi Georgi; FOREIGN TRADE, No 4, Apr 85)	31
USSR-GDR: Long-Term Cooperation Program Reviewed (Nikolai Baturin; FOREIGN TRADE, No 4, Apr 85)	35
Soviet-Hungarian Long-Term Cooperation Program Outlined (EKONOMICHESKAYA GAZETA, No 17, Apr 85)	40

THE MIDDLE EAST

Protocol for Economic Cooperation With YAR (VEDOMOSTI VERKHOVNOGO SOVETA SOYUZA SOVETSKIKH SOTSIALISTICHESKIKH RESPUBLIK, No 8, 20 Feb 85)	54
--	----

WESTERN EUROPE

Trade Developments With Spain Reviewed (Sergei Vinogradov; FOREIGN TRADE, No 4, Apr 85)	57
Agreements on Trade, Scientific Cooperation With Turkey (FOREIGN TRADE, No 4, Apr 85)	60

GENERAL

East-West Trade Relations Discussed (N. Shmelev; INTERNATIONAL AFFAIRS, No 1, Jan 85)	68
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THE AMERICAS

MEETING OF SOVIET-AMERICAN TRADE COMMISSION REVIEWED

Moscow EKONOMICHESKAYA GAZETA in Russian No 22, May 85 p 22

[Unattributed article: "To Develop Cooperation"]

[Text] The 8th Session of the Inter-governmental Soviet-American Commission for Trade Issues concluded its work on 21 May in Moscow. The delegations, which were headed by Soviet Minister of Foreign Trade N.S. Patolichev and U.S. Commerce Secretary M. Baldrige, discussed a wide range of issues concerning the status of and prospects for trade between the Soviet Union and the United States.

During the talks it was noted that the present level and structure of trade between the two countries does not measure up to the considerable potential in this area. Experience clearly shows that when efforts are made to normalize conditions for the conduct of trade, then it can develop quickly. However, the positive results of such efforts are possible only when trade is conducted on the basis of equality, mutual advantages, and without any discrimination. The repeated attempts by the American side to use trade as a means of political pressure has caused a particularly large loss of business ties.

The position of the Soviet Union on the broad development of international economic cooperation, including with the United States, remains unchanged. Naturally, the improvement of mutual trade will not by itself solve fundamental problems in Soviet-American relations. However, it could aid in improving mutual understanding and strengthening trust, which has particular meaning at the present time.

The status of a number of projects for possible business cooperation was considered. These projects are presently being discussed by Soviet foreign trade organizations and American companies in areas such as the petrochemical industry, light industry, branches of the agro-industrial complex, equipment for oil and gas extraction, and a number of other areas. The mutual interest in their implementation was noted.

During the talks the Soviet part of the commission emphasized that the prospects for participation of American firms in the realization of the above-mentioned projects depends to a large degree on whether the American side upholds the fulfillment of commitments which U.S. companies have made.

The Soviet side announced that it considers American firms as serious business partners, and that the Soviet foreign trade organizations are ready to consider offers from American firms along with proposals from companies of other Western countries.

The commission confirmed the intention of the parties to cooperate with business circles of both countries in ascertaining ways to conclude mutually advantageous deals.

It was noted that broad mutually advantageous trade is an important element in strengthening and developing bilateral relations. Both sides agreed that revival of activity of the Soviet-American Trade Commission after the long disruption reflects the mutual intention to support the improvement of trade relations between both countries.

CSO: 1825/87-P

ASIA

COOPERATION WITH CAMBODIA DISCUSSED

Moscow FOREIGN TRADE in English No 4, Apr 85 pp 25-26

[Article by Ivan Dvuzhilov, USSR trade representative in the People's Republic of Kampuchea: "Five Years of Beneficial Cooperation"]

[Text]

After the Pol Pot-Ieng Sary clique had been driven out of Kampuchea the Republic made great progress in restoring its national economy which during the years of the anti-people's government was reduced to a state of full dislocation and anarchy.

The government's economic policy during all these years was aimed at restoring and developing agriculture. As a result of the measures undertaken the country's food situation was stabilized: the crops of rice, vegetables, fruits, soya, peanuts and sugar cane are being increased year by year as well as those of natural rubber, cotton, jute and other industrial crops. Animal husbandry productivity is advancing. In 1982 and 1983 a record catch of fish, the Kampuchean people's second staple food after rice in their diet was achieved.

Despite the shortage of raw material, equipment, spare parts and skilled specialists scores of industrial enterprises manufacturing building materials and tools, bicycles, agricultural implements, pumps and consumer goods were put into operation.

Railway, road and air transport is operating normally. The country's communications system has been fully restored.

The fraternal assistance rendered by the Soviet Union, Vietnam and other socialist countries has been and is of paramount importance for the country's rehabilitation.

The USSR is the young Kampuchean Republic's major foreign trade partner.

. . .

February 1985 marked five years since the signing of the USSR-Kampuchea Intergovernmental Trade Agreement. Its conclusion started a new important stage

in the Soviet Union's cooperation with the young republic which inherited from the Pol Pot regime a decayed economy, the total destruction of economic and socio-economic ties and a real threat of famine.

Even in 1979, immediately after the country's liberation, the Soviet Government took the decision to render Kampuchea urgent help: in twelve months the Soviet Union supplied goods worth nearly 55 million rubles, including 159,000 tons of bread products (in terms of grain), medicines and dressings worth one million rubles, over 900 tons of paper, 4.6 million metres of cloth, 2,500 tons of household soap, 50,000 tons of petroleum products, 7,800 tons of rolled ferrous metals, 5,000 tons of cement, 660 vehicles and buses, etc.

The summit talks held in Moscow, February 1980, during the visit of a delegation from the People's Republic of Kampuchea headed by Heng Samrin, General Secretary of the PRPK (People's Revolutionary Party of Kampuchea) Central Committee, Chairman of the State Council of Kampuchea, to the Soviet Union and the understandings reached laid a sound foundation for all-round cooperation between the Soviet Union and Kampuchea. These talks resulted in the signing of Soviet-Kampuchean documents—a declaration which reflected the main content of the talks and consolidated the principles of our countries' relations as well as several agreements including one on trade.

The Agreement of February 5, 1980, granted each side the most-favoured-nation treatment in everything pertaining to trade and other types of economic relations and merchant shipping; a system for the price formation of supplied goods, methods of payments and ways to settle disputable questions were established. Both sides accepted obligations to take all necessary measures that would develop and strengthen their trade and economic ties. The same day a Protocol on setting up a USSR Trade Representation in Kampuchea was signed.

Under this Agreement the Soviet Union in 1980 continued deliveries of goods, on favourable terms, most important for restoring the country's economy destroyed by the Pol Pot regime and stabilizing the life of Kampuchea's people. That year Kampuchea received from the Soviet Union free of charge: nearly 100,000 tons of bread products (in terms of grain), medicines worth 0.5 million rubles, 7.5 million metres of cloth, 123,000 tons of petroleum products, kitchen ware and household facilities worth 1.2 million rubles, etc. in total worth nearly 60 million rubles. In its turn Kampuchea shipped its first consignments of natural rubber to the Soviet Union.

The next two years (1981 and 1982) witnessed the further deepening of USSR-Kampuchea trade and economic cooperation, its quantitative and qualitative development. The two countries' trade volume in 1981 amoun-

ted to 61.6 million rubles; the Soviet Union supplied machinery, equipment and transportation means worth 19.2 million rubles, petroleum products worth 14.2 million rubles, 9.8 million rubles of cloths, and other goods all-in-all valued at 59.7 million rubles. Kampuchea delivered natural rubber worth 1.9 million rubles to the USSR. In 1982 USSR-Kampuchea mutual goods deliveries reached 55.7 million rubles, Soviet export being 53.4 million rubles and import from the People's Republic of Kampuchea 2.3 million rubles. To balance the trade turnover the Soviet Union in 1981 and 1982 granted substantial credits.

The signing of a Long-term Trade and Payments Agreement between the USSR and the People's Republic of Kampuchea for 1983-1985 in February 1983, the first *three-year one in the history of Soviet-Kampuchean relations, opened new possibilities for expanding mutual trade.* Long-term planning of our countries' trade relations enabled efforts to be concentrated on the most important aspects of bilateral cooperation and increased its effectiveness.

In the course of this three-year agreement the Soviet Union sends Kampuchea increased volumes of petroleum products, rolled ferrous metals, machinery and equipment, lorries, road-building machinery, fertilizers, consumer goods, medicines, etc.

During 1983 Kampuchea received from the USSR goods worth 67.8 million rubles: machinery, equipment and transportation means (27.2 million rubles), petroleum products (21.4 million rubles), 1,000 tons of cotton yarn and 10 million metres of cloths and other goods.

Soviet deliveries are of great help in restoring Kampuchea's devastated economy, creating an export base and improving the people's living standard and are of decisive significance for practical assurance of the Kampuchean Government's course aimed at developing agriculture and achieving the country's full self-provision in foodstuffs.

The People's Republic of Kampuchea is exerting efforts to increase its exports to the Soviet Union. It should be pointed out that despite certain difficulties Kampuchea's export has the tendency to increase annually. Up to now the import from Kampuchea was solely natural rubber; however, in the near future the plan is to purchase other Kampuchea's traditional export goods whose output is now exceeding the country's internal demands (timber, cigarettes, beach footwear). The industrial enterprises being restored with the USSR's assistance will help extend the range of Kampuchea's export goods.

The meeting of N.A. Tikhonov, Member of the Political Bureau of the CPSU Central Committee, Chairman of the Council of Ministers of the USSR, and Chan Si, Member of the Political Bureau of the PRPK Central Committee, Chairman of the Council of Ministers of the People's Republic of Kampuchea, became an important event assisting the further development and strengthening Soviet-Kampuchean cooperation in all spheres. In the Soviet-Kampuchean Communiqué issued after the visit the Sides declared the mutual readiness to comprehensively consolidate and expand USSR-Kampuchea relations in the spirit of the Soviet-Kampuchean Declaration of February 5, 1980.

The Soviet Union again confirmed the invariability of the USSR's basic course for rendering all-round assistance and support to fraternal Kampuchea in building a new life and defending its revolutionary gains.

The five-year period that has passed since the signing of the first trade agreement demonstrates this document's great importance for strengthening and developing trade and economic relations between the Soviet Union and the People's Republic of Kampuchea and their further consolidation.

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CMEA/ **EASTERN EUROPE**

SOVIET INVESTMENT COOPERATION WITH CMEA OUTLINED

Moscow FOREIGN TRADE in English No 4, Apr 85 pp 43-48

[Article by Tadeush Teodorovich, Cand. Sc. (Econ.), deputy director, Research Institute of Economic and Technical Cooperation, USSR State Committee for Foreign and Economic Relations: "Features of the USSR's Investment Cooperation With the CMEA Member-Countries"]

[Text]

The CMEA member-countries' Summit Economic Conference held in Moscow, June 1984, ushered in a qualitatively new stage in the development of the socialist economic integration. The Conference determined long-term trends of the fraternal countries' economic interaction based on coordination of their economic policy. Such coordination envisages, in particular, elaboration on a collective principle of the ways of jointly solving large-scale economic problems and subsequent realization of the planned measures in various spheres including capital construction. The documents of the Economic Conference point out that in the course of coordinating national economic plans determination of specific investment cooperation projects is to be considered a priority task. We have every reason to believe that the role of this direction of economic cooperation in the total system of the socialist countries' economic relations will increase.

Indeed, mutual cooperation in capital construction will to a great extent enable the socialist countries to realize their transition to the intensive way of development, expansion of the export potential by the joint efforts, more rational distribution of productive forces in the socialist community and acceleration of the process evening up the levels of the CMEA member-countries' economies, raising, primarily, those of Vietnam, Cuba and Mongolia up to the European CMEA member-countries' development levels.

The rendering of economic and technical assistance to other countries in capital construction on a bilateral basis is one form of the USSR's investment cooperation in which it has accumulated vast experience.

To estimate the real scales of the USSR's investment cooperation with the CMEA member-countries it is necessary first of all to evaluate the total capital expenditures on the projects constructed with the Soviet Union's economic and technical assistance.

As for multilateral investment cooperation projects, particularly those contained in the CMEA member-countries' coordinated plans of multilateral integration measures, we have rather ample data on the cost of each of them and the contribution of each participant to its realization.

The situation is different when evaluating bilateral cooperation project costs. With the Soviet Union's assistance the plan is to construct a large number of various economic projects in the CMEA member-countries, many of them had already been put into operation by 1984.

Soviet equipment and materials export for complete enterprises
(million rubles)

	1971-1975	1976-1980	1981-1983
Bulgaria	754.9	1,244.2	938.2
Hungary	120.8	431.6	426.3
Vietnam	103.5	397.8	407.8
GDR	355.4	392.0	410.1
Cuba	220.7	1,080.9	1,034.9
Mongolia	575.2	1,553.3	1,305.2
Poland	258.6	668.8	244.8
Romania	193.9	214.8	142.6
Czechoslovakia	79.1	313.3	497.7
Total	2,612.1	6,306.7	5,407.6

Source: Statistical review *USSR Foreign Trade* for the corresponding years.

With such an amount of projects it is most difficult to gather a sufficiently complete statistic information on the total cost of capital expenditures on projects constructed in the CMEA member-countries with the Soviet Union's assistance, on the volumes of their actual financing in separate years and five-year periods.

From facts and figures formed on the basis of available data and analogues an expert estimation of the total volumes of investment cooperation for the

last fifteen years was made, which took into account the available statistics of the USSR's deliveries of machinery, equipment and materials to the CMEA member-countries. In 1971-1975 equipment and materials deliveries for the construction of complete enterprises in these countries amounted to 2,600 million rubles (including Vietnam), in 1976-1980—6,300 million rubles. In 1981-1985 they will grow nearly 1.5 times over those in the previous five-year period.

It is difficult to compile the above expert estimates for many reasons. The share of machinery and equipment in the total volume of investment expenditures varies greatly country by country as well as project by project and changes depending on certain periods. According to the available statistical data this indicator for the CMEA member-countries widely fluctuated in 1971-1975: from 32.7 per cent in Hungary up to 51.7 per cent in the GDR in all sectors of the economy, in industry up to 60 per cent and in the transport and communications up to 75 per cent. With the development of national mechanical engineering the proportion of the import in the total volume of investment expenditures on machinery and equipment has a tendency to decline. Thus, in Bulgaria it decreased from 52.4 per cent in 1975 to 38.4 per cent in 1980 and to nearly 35 per cent in 1983. Romania meets 85 per cent of demands for equipment by its own production. In 1982 Poland's production covered 75 per cent of requirements for equipment used in capital construction, Hungary covered 48 per cent of its needs. Mongolia practically does not manufacture its own equipment; Vietnam and Cuba produce only an insignificant portion of their equipment demands. The expert evaluation is also complicated due to the necessity of transferring the delivery costs made in transferable rubles into national currencies in which these deliveries and engineering and technical services are reflected in the statistics of capital investments allocated for the realization of cooperation projects.

In the *Mongolian People's Republic*, according to official statistical data, the total capital investments in 1983 reached 4,485 million tugriks. The capital investments allocated to bilateral cooperation projects with the Soviet Union are estimated by the Soviet side at 3,180 million to 3,230 million tugriks or 71-72 per cent of the total capital expenditures. Each ruble of the Soviet complete equipment export was worth nearly seven tugriks of capital expenditures. On the basis of the derived coefficient the capital investments allocated on cooperation projects are expertly

estimated at 3,700 million tugriks in 1971-1975 and 10,900 million tugriks in 1976-1980. With gratuitous aid taken into account these sums would be even greater.

In the *Republic of Cuba* capital investments allocated to cooperation projects with the Soviet Union amounted to almost 700 million pesos and their portion in the country's total capital investments increased from 20.3 per cent in 1982 up to 21.1 per cent in 1983. The plan for 1984 envisages a 30 per cent increase of total capital investments compared to the previous year, mostly due to the greater volumes of construction and assembly work at the Cuban-Soviet cooperation projects. According to rough estimates, in 1982 and 1983 one ruble of the Soviet Union's equipment and materials deliveries resulted in 1.8 to 1.9 pesos of assimilated capital investment. Under the formed correlation the total assimilation of capital investments at Soviet-Cuban cooperation projects can be estimated as nearly 400 million pesos in 1971-1975 and 2,000 million pesos in 1976-1980. The share of these projects in capital investments allocated on development of Cuba's economy grew from less than five per cent in 1971-1975 up to over 15 per cent in 1976-1980 and by the end of the current five-year plan period it will most likely approximate 25 per cent.

In the *Socialist Republic of Vietnam* in 1983 total capital investments amounted to 16,010 million dong including 9,780 million dong allocated for construction and assembly work. Vietnam's Ministry of Construction alone fulfilled construction and assembly work estimated at 1,540 million dong, or nearly 16 per cent of the total volume, at 14 Soviet-Vietnamese cooperation projects, the country's major ones, including the Hao Binh hydro-scheme—525 million dong, the Pha Lai thermal power station—306 million dong, the Binh Son cement factory—107 million dong and the Lam Thao superphosphate factory—110 million dong. Taking into consideration the work under way at other major Soviet-Vietnamese cooperation projects (prospecting for oil and gas, agricultural and transport projects, etc.) the capital investments in all such projects can be expertly estimated at up to 5,000 million dong or approximately 30 per cent of the total capital investments allocated for the country's economy in 1983. According to our estimates in 1976-1980 nearly 2,650 million dong or almost 15 per cent of the total volume were invested in cooperation

projects. Thus, recently, the share of the Soviet Union's participation in Vietnam's capital construction has almost doubled.

The proportion of the Soviet Union's deliveries to the European CMEA member-countries in the total cost of cooperation projects is generally lower. According to available and separate data one can conclude that it fluctuates substantially depending on the economic sectors and countries. For instance, according to the available estimates, the portion of Soviet equipment deliveries in the total budget costs of the construction of the 1st and 2nd stages of the Kozloduy atomic power station amounted to nearly 30 per cent and of other Soviet-Bulgarian cooperation projects commissioned in 1976-1980 total Soviet deliveries estimated at 15 to 20 per cent, including equipment at 25 to 40 per cent. In Poland the proportion of equipment and materials supplied from the Soviet Union constitutes nearly 25 per cent of the budgeted construction costs of the Katowice iron-and-steel complex. One can assume that in the GDR and Czechoslovakia these indices are somewhat lower than in Bulgaria, Poland and Hungary. On average in the European CMEA member-countries the proportion of Soviet equipment deliveries in the total cost of capital construction projects is estimated at approximately 17 to 20 per cent.

From the above calculations an estimate of total capital investments for projects being constructed in the CMEA member-countries with Soviet economic and technical assistance was made. In 1971-1975 these came to roughly 10,000 million to 11,500 million rubles, in 1976-1980—21,500 million to 24,000 million rubles and in 1983—6,500 million to 7,000 million rubles. From the above it is seen that nearly one-tenth of all the CMEA member-countries' (without the USSR) investment expenditures in 1983 were also allotted to capital construction under bilateral cooperation with the Soviet Union.

The calculations and evaluations show that bilateral economic and technical assistance is the largest and most dynamically developing form of investment cooperation. It began to shape simultaneously with the establishment of the Council for Mutual Economic Assistance and for 35 years has been a leading feature in the joint activities in the field of capital construction. As it developed tremendous experience was accumulated in planning and combining the participating countries' investment capabilities,

in accomplishing joint design, construction and assembly work, etc. The countries have also gained a great experience in resolving commercial, juridical and financial questions.

The European socialist countries widely relied on cooperation with the Soviet Union in the postwar restoration and subsequent growth and strengthening of their industrial potentials. Mongolia, Cuba and Vietnam, actively participating in the investment construction with the European socialist countries, primarily the Soviet Union, were given the opportunity to accomplish in practice the difficult task of the gradual rapprochement and evening up of their economic and social development levels to those of the other socialist community countries as formulated in the Comprehensive Programme of socialist economic integration and confirmed in the documents of the CMEA member-countries' Summit Economic Conference.

The fact that by the early 1980s the Soviet-Bulgarian cooperation projects took up nearly one half of all basic production funds and manufactured some 65 per cent of Bulgaria's gross industrial products, illustrates the scales and real results of the rendered assistance. In Mongolia in 1983 enterprises constructed with the USSR's assistance manufactured over 55 per cent of all industrial products including over 90 per cent of electric energy, 98.5 per cent of mining industry products, 80 per cent of coal, 40 per cent of the light industry products. Twenty-seven agricultural cooperation projects turn out one-fifth of all agricultural and livestock produce. Soviet-Cuban cooperation projects manufacture over 10 per cent of the country's industrial products.

At the beginning of 1984 in the CMEA member-countries *electric power stations* (total rated capacity 30.8 million kW) were put into operation with Soviet assistance, including 5.06 million kW at atomic power stations in Bulgaria, Hungary, the GDR and Czechoslovakia. In 1983 complete equipment supplied by the USSR generated 166,600 million kW/h of electric energy or 36 per cent of the CMEA member-countries' (without the USSR) total output. In certain countries this proportion amounted to 98 per cent in Mongolia, 80 per cent in Bulgaria, 47 to 50 per cent in Cuba, the GDR and Romania, 25 to 27 per cent in Poland and Vietnam. The atomic power stations' output was increased 16 per cent over that in 1982. Under the agreements signed concerning the USSR's economic

and technical assistance the CMEA member-countries electric power stations' capacities are to be augmented by another 33 million kW, 19.1 million kW of it by new atomic power stations.

New capacities were also put into operation in other power engineering sectors, in particular, those for extracting 17 million tons of coal. In 1983 the share of projects constructed with the USSR's assistance in the total coal output was 88 per cent and 81 per cent in Vietnam and Mongolia respectively. The USSR continues rendering assistance in augmenting coal extractive capacities by another 55 million tons per year in Bulgaria, Hungary, Mongolia and Vietnam. During the first three years of the current five-year plan period coal extractive capacities at cooperation projects were increased by 5.25 million tons. The Soviet Union is assisting a number of the CMEA member-countries to prospect and extract oil and gas (Vietnam, Cuba, the GDR, Bulgaria and others). This trend of cooperation fully meets the tasks set for power engineering at the CMEA member-countries' Summit Economic Conference.

The *iron-and-steel works* constructed in the CMEA member-countries with Soviet assistance in 1983 produced 10.3 million tons of pig iron and 13.7 million tons of steel, i.e. 30 and 24 per cent respectively of the CMEA member-countries' total output (without the USSR). The proportion of cooperation projects in the total steel output in the given year reached nearly 100 per cent in Bulgaria and Cuba, 60 per cent in Poland and 33 per cent in Hungary. The capacities already commissioned in the CMEA member-countries with the USSR's assistance in ferrous metallurgy almost correspond to those the Soviet Union had in the first half of the 1950s. After realization of agreements on rendering assistance in constructing iron-and-steel enterprises the latter's total capacities will reach 18.8 million tons of pig iron, 26.5 million tons of steel and 40.2 million tons of rolled metal per year.

In *non-ferrous metallurgy* the USSR gives great assistance to Mongolia, Bulgaria and Cuba. In Mongolia the Erdenet copper and molybdenum complex (ore-extracting and processing capacity 16 million tons per year), one of the world's largest ore-dressing enterprises, was constructed. In Bulgaria the projects constructed with the USSR's assistance turn out approximately 90 per cent of non-ferrous metallurgical products (extraction, dressing and production of copper, lead and zinc). In Cuba a nickel complex in

Punta Gorda is soon to be completed, and existing nickel capacities were reconstructed and modernized.

In 1983 *petroleum refineries and chemical enterprises* built with Soviet participation in Bulgaria, Hungary, Poland and Romania refined nearly 35 million tons of crude oil. The same year Bulgaria and Romania produced 2,080,000 tons of soda ash; Poland, Romania, Bulgaria and Hungary 714,000 tons of caustic soda; Bulgaria and Poland 67,000 tons of synthetic rubber; Bulgaria, Hungary, Vietnam and Cuba 1,530,000 tons of nitrogen, phosphate and mixed fertilizers; Bulgaria, the GDR, Romania and Czechoslovakia almost 800,000 tons of cellulose. The USSR helped construct factories manufacturing sulphur acid in Bulgaria, Vietnam, Hungary, Poland and Romania; caprolactam in Bulgaria, captan in Romania, high-pressure polyethylene in the GDR, etc.

Factories outfitted with Soviet complete equipment in Bulgaria, Hungary, Vietnam, Poland and Czechoslovakia turned out almost 5.6 million tons of *cement* in 1983. Construction of large-panel house-building enterprises in all the CMEA member-countries with Soviet assistance is of great importance for solving their housing problems. Many enterprises able to complete more than 5 million square metres of residential floor area per year were put into operation by the beginning of 1984.

Besides sectors assuring material-technical supplies for manufacture of the means of production and capital construction, the light and food industries receive considerable volumes of assistance. The share of these industries is especially high in cooperation with Cuba, Mongolia, Vietnam and Bulgaria.

In 1983, projects constructed with the Soviet Union's help manufactured 70 per cent of Cuba's total textile output. Seven textile factories were reconstructed, the first stages of a large cotton-spinning mill in Havana (annual capacity 15,000 tons of yarn) and a textile complex in Santiago de Cuba (productivity 80 million square metres of cloth and 2,000 tons of yarn per year) were put into operation.

In Mongolia among the light industry cooperation projects, enterprises processing products of livestock-raising prevail, such as wool-washing and spinning mills, complexes manufacturing woollen

cloths, blankets, rugs, carpets and knitwear.

Assistance rendered by Soviet organizations to the Republic of Cuba in the sugar industry is fully comprehensive. Cooperation in processing citrus fruit is also envisaged. A large group of dairy and meat industry's enterprises was built in Mongolia, and factories processing tea and manufacturing macaroni in Vietnam.

The development with the USSR's assistance of more than 1.6 million hectares of new lands, including irrigated ones, was a significant contribution to the CMEA member-countries' agriculture. Over the last two decades due to Soviet assistance Cuba's irrigated lands were expanded by approximately 500,000 hectares which are mostly used for growing sugar cane.

In Mongolia thanks to the Soviet Union's cooperation during the past decades crop farming, a new sector of agricultural production, was created, and with Soviet organizations' participation some 910,000 hectares of virgin lands were developed. In 1983 Mongolia gathered approximately 500 kg of grain per capita which fully assured the country with bread products, and nearly ten per cent of the crop was exported. To strengthen the material and technical base of the traditional sector, animal husbandry, the USSR helped construct over 50,000 stock-breeding premises, irrigate over 70 million hectares of pastures, build enterprises manufacturing animal formula feed and supplied hay-harvesting machinery.

Under Soviet-Vietnamese economic and technical cooperation 107,000 hectares of lands were developed on which state farms growing mostly industrial crops were set up. The work on creating hevea plantations on an area of 50,000 hectares is under way; 24,000 hectares were already put into use by 1984, and the laying out of coffee plantations (20,000 hectares) began. Through the construction of a hydroscheme on the river Black with the USSR's assistance new prospects are opened for developing Vietnam's agriculture. The complex's reservoir will in addition supply 200,000 to 300,000 hectares of lands with water.

The Soviet Union's assistance rendered to the CMEA member-countries in *transport* is of great significance for expanding integration ties. Thus, the Ilyich-Varna ferry crossing assures at present quick and cheap shipment of more than three million tons of cargo per year between the Soviet Union and Bulgaria. Freight in ton-kilometres transported by railway from

the USSR's state border to the town of Katowice (Poland) in 1983 exceeded 3,000 million; total shipments during the said year amounted to 7.7 million tons including 4.9 million tons of iron ore supplied to Poland and 2.8 million tons of such important economic cargoes as coal, sulphur, rolled ferrous metals, etc. transported to the Soviet Union. With the USSR's and other CMEA member-countries' assistance 2,197 kilometres of gas pipelines and petroleum product pipelines were laid, over 6,500 kilometres of electric power lines constructed among which are those connecting the Soviet power systems to those of the European CMEA member-countries and Mongolia. The Soviet Union's assistance in increasing the capacity of Cuba and Vietnam's main port facilitates the European socialist countries' transport ties with these countries.

The USSR's economic and technical cooperation with the European socialist countries over the last three decades is characterized by its concentration on developing the heavy industry and power engineering basic sectors whose demand for raw material grew. A considerable portion of this additional demand was met through increasing the Soviet deliveries of iron ore and coke for the manufacture of pig iron, coking coals for processing at by-product coke plants, oil for loading petroleum refineries, petroleum products for thermal power stations operating on liquid fuel. However, in the current decade this earlier formed tendency will change. At the Summit Economic Conference it was deemed necessary to reassess the former concepts of economic and technical cooperation in capital construction, especially with the European socialist countries. In particular, the USSR's assistance must be expanded in such instances when owing to the development of new production sectors or expansion of the existing ones in the partner countries conditions are created for curtailment of the USSR's deliveries of certain deficit goods (oil and petroleum products, fertilizers, grain, etc).

The CMEA member-countries' envisaged course aimed at developing atomic power engineering and bringing the atomic power stations' rated capacities up to 30-34 million kW (without the USSR) will make it possible to save annually nearly 70 million tons of equivalent fuel. Already in 1981-1983 the atomic power stations constructed with Soviet assistance in Bulgaria, Hungary, the GDR and Czechoslovakia generated over 86,000 million kW/h of electric energy, saving at least 20 million tons of petroleum products.

In the current five-year plan period the USSR is effecting wide assistance to the GDR, Poland, Bulgaria, Mongolia and Vietnam in constructing thermal power stations operating on local fuel. At the same time the cooperation volumes for extracting coal were substantially increased. Between 1981 and 1985 with Soviet assistance to all socialist countries the total coal extractive capacities will be augmented by 42 million tons, including in Bulgaria by 16 million tons and Vietnam by 4.5 million tons.

The USSR's assistance in prospecting and extracting oil and gas on the shelf in the south of Vietnam and the Baltic Sea shelf (jointly with the GDR and Poland) and the Black Sea shelf (jointly with Bulgaria) will further reduce the USSR's energy carrier deliveries. Organization of similar work on Cuba's sea shelf seems promising. Soviet organizations actively participate in increasing gas production in the GDR.

The Soviet Union's wide-scale economic and technical assistance rendered to the CMEA member-countries is promoting the mutual trade growth, its diversification and formation of new spheres based on a stable mutually advantageous division of labour within the socialist community.

New goods flows resulting from cooperation in capital construction affect the volumes and structure of the Soviet Union's export and import. Mutual cooperation is not restricted to construction only but as a rule it continues after the commissioning of the project through the supply of spare parts and replaceable units, completing items and certain types of raw materials.

In some countries specific projects have been built or are under construction whose products are partially or fully to be delivered to the USSR.

In the 1976-1980 period the CMEA member-countries' total deliveries of products manufactured at already functioning cooperation projects to the Soviet Union amounted to 14,220 million rubles and during the first three years of the current five-year plan period—10,260 million rubles.

In 1983 cooperation projects' products from Cuba formed a greater portion in the Soviet import, from Mongolia 57 per cent, and from Bulgaria and Vietnam 11-12 per cent. Among the products supplied in the said year were mechanical engineering products: tractors—4,000 (Bulgaria), battery-powered trucks and electric telfers—116,000 (Bulgaria), mowing machines—37,300 (Bulgaria, Poland), bearings—190,000

(Hungary); ferrous and non-ferrous metals and raw material for their production; coal—500,000 tons (Mongolia, Vietnam), soda ash—563,000 tons (Bulgaria, Poland, Romania), caustic soda—100,000 tons (Romania), sulphur—920,000 tons (Poland); the light and food industry products and agricultural produce: woollen blankets and rugs—192,000 (Mongolia), carpets—493,000 sq.m (Mongolia), sugar—three million tons (Cuba), champagne-type wines—14.5 million bottles (Bulgaria), tea—4,500 tons (Vietnam), coffee—3,000 tons (Vietnam), pine-apples—4,000 tons (Vietnam), bananas—16,000 tons (Vietnam), citrus fruit—3,000 tons (Vietnam).

The construction in Mongolia of the Erdenet ore-dressing complex, a part of whose output is to be delivered to the Soviet Union as repayment for Soviet credits and payment for the current import from the USSR, is a most vivid example of effective compensation-based cooperation. In addition, the cooperation projects export wool, blankets, rugs, carpets, timber, etc. to the USSR. The total value of these deliveries over the three years (1981-1983) reached 502 million rubles, exceeding 2.4 times their volumes in the previous five-year plan period. The given figures do not take into account the purchases of meat and meat products from Mongolia whose export resources are increasing thanks to the Soviet Union's wide assistance in constructing cattle-breeding premises, in substantially strengthening the fodder base, irrigating pastures and improving veterinary services. On the whole Mongolia's economic complex and export potential are formed under the influence of its economic and technical cooperation with the Soviet Union.

Nearly all the Soviet Union's import volume from the Republic of Cuba falls to raw sugar and nickel concentrate. The USSR actively participated in developing these two sectors. The construction of the first stage of the Punta Gorda mining complex manufacturing nickel and cobalt concentrates (30,000 tons per year) is soon to be completed. Under the agreement signed not less than 50 per cent of the complex's products will be supplied to the USSR to repay credits granted for constructing this project. Assistance is given also to other nickel industry projects, in particular, in reconstructing and expanding the existing factories in Moa and Nicaro.

There are favourable prospects for developing compensation-based cooperation with Vietnam which at the first stage covered almost solely agriculture. The

Soviet Union's assistance in prospecting for solid minerals, oil and gas, in constructing a number of extractive industry projects and expanding the production of natural rubber and plantations for growing medicinal herbs is strengthening Vietnam's export potential. Large-scale prospecting for oil and gas on the shelf in the south of Vietnam was started in 1981. These deposits will be developed jointly by Vietnam and the Soviet Union with the latter having the right to receive a portion of the extracted oil and gas.

The Soviet Union also cooperates with the European CMEA member-countries on a compensation basis. At present Bulgaria is supplying products from 30 projects constructed with the USSR's economic and technical assistance. Among these are tractors, battery-operated trucks, truck loaders, electric telfers and spares for motor vehicles. On the basis of the deliveries of cooperation projects' products to the USSR specialization and cooperation in production was formed between the two countries' mechanical engineering enterprises. In addition to industrial engineering products the USSR receives rolled ferrous metals, grinding balls, tyres, soda ash, window and reinforced glass, medicines, acetone, photographic paper, champagne-type wines, many other raw materials and finished products.

There are favourable prerequisites for expanding investment cooperation on a compensation basis with other European socialist countries. It will play an important role in realizing the measures in the sphere of capital investments envisaged in the documents of the Summit Economic Conference and create economic conditions assuring mutually beneficial compensation of the USSR's deliveries of certain types of raw material and energy carriers by counter-deliveries of products needed for the Soviet Union, particularly, foodstuffs, industrial consumer goods, certain types of structural materials, high-quality machinery and equipment.

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CEMA/EASTERN EUROPE

CEMA COOPERATION IN SCIENCE AND TECHNOLOGY DETAILED

Moscow EKONOMICHESKAYA GAZETA in Russian No 16, Apr 85 pp 12-13

[Article by A. F. Kamenev, deputy chairman of the USSR State Committee for Science and Technology]

[Text] CEMA member countries have gained a great deal of experience in scientific and technical cooperation. This cooperation began with the simple exchange of scientific and technical documentation, and since then has been constantly enriched by new forms, including coordinated plans for scientific and technical development, and specialization and cooperation in the production of new technology.

Contemporary scientific and technical progress has made it possible to create a fundamentally new means of production in machine building, namely, flexible production systems. This brought with it the need to work out a fundamentally new method for organizing production, as well as for managing production.

Practically every flexible production system requires individualized conditions for its set-up. Unlike mass homogeneous production, a flexible production system is not listed in producers' catalogues. Only the customer, or the consumer, can know exactly what kind of flexible production system he needs and what kind of enterprise he needs to work with. This means that it is necessary for the customer and the producer to work in close cooperation from the very beginning--from the development of an individual plan, through the creation of an automated system, to the point at which customer is operating the system at the planned parameters. This complicates relations between the customer and the producer on a national level, and especially on an international level.

The difficulties that arise can be overcome successfully through work performed by collectives of scientists and specialists that have been created on an equal basis by the countries involved. Evidence of this can be seen in the experience that has been gained in almost 10 years of work by collectives created by the Soviet Union and Czechoslovakia in which specialists and scientists participate on a temporary basis. The experience of the joint Soviet-Czechoslovak "Robot" Planning, Design, and Technological Bureau has been especially fruitful, and it laid the foundation for the "Robot" Scientific and Technical Association, which now has a permanent staff.

The "Robot" association, which other CEMA countries can join if they wish, is one of the first links in implementing the strategic directives of the CEMA Economic Conference that are aimed at carrying out a unified policy in a number of areas of scientific and technical progress. The association has been called on to provide effective solutions to problems involving the creation of robotic complexes and flexible production systems by the countries involved, along with their introduction into the national economies under mutually beneficial conditions, taking into account current and long-range demands, and utilizing the potential of direct ties between scientific research institutes, design bureaus, and production enterprises in both countries.

In joining forces to achieve priority goals in the creation of production technologies, the members of the "Robot" Scientific and Technical Association are guided by the fact that the level and quality of their products must correspond to the best worldwide indicators. The members also base their work on the idea that their developments are needed not only in industry, but could be produced in large quantities. This means that systems of machinery need to be found that can serve as model solutions to a certain extent and can be used in various arrangements in sophisticated technological complexes in machine building.

What sort of production base does the "Robot" association have at its disposal? The members of the association avoided the need to create new joint scientific and technical and machine building capacities. This is a complicated process and would have taken a lot of time. The key here was that the USSR and CSSR have sufficiently developed scientific, technical, and production capacities. Practical experience has shown that when this potential is available, success in cooperation is ensured by a well-planned set of operations in each link--from scientific research, planning and design, experimental projects, right through industrial production, installation, and start-up and adjustment work, in addition to the proper servicing of the systems once they have reached their planned parameters. Under these conditions, the comprehensive plan for the customer and the producer plays an extremely important role, and it is carried out on the basis of contracts and agreements that are mandatory for both parties.

Work carried out by all the participants on both sides in accordance with the unified plan, and organized on a cost accounting basis, is a fundamental characteristic of the "Robot" Scientific and Technical Association.

With our scientific and production potential, all the planned and coordinated work can be carried out by our existing specialized capacities and organizations. We can rely confidently on the specialization that already exists, in addition to new opportunities provided by the long-term program for the development of specialization and cooperation between the USSR and CSSR up to 1990.

The need to create new joint production capacities has given way to the "brain trust"--an international collective of highly skilled specialists that is being formed at the scientific and technical association. This collective has a clear understanding of world technical policies and the possibilities and needs of the national economies of the two countries, it is in command of advanced

knowledge, and to a great extent it will be the initiator of new developments and applications. As the producer of the latest technology, operating on a cost accounting basis, the collective must seek out customers and demonstrate to them the advantages of the given system of machinery, which will benefit all the parties involved in the cooperation.

The scientific and technical association does not stop at the development of an experimental batch of advance models of equipment, even if they are of the highest quality. The association should work out the system that has been ordered, organize its production, test it, put it into operation on the basis of the test results, correct the documentation on the basis of all the work that has been done, and provide this documentation to the participating countries; and even then the association should not consider its job completed. It should also make suggestions regarding the demand for the product and the development of specialized capacities for manufacturing the product in the countries involved, that is, it should make organized preparations for the mass production of the product. This way the customer can be assured that reliable systems can be produced using the documentation provided.

Specialized production capacities that correspond to the goals and tasks of the scientific and technical association will be developed in the participating countries in accordance with orders already planned, along with current orders and new orders that are being confirmed. The creation of the latest technology and the formation of specialized capacities utilizing the technology will proceed in a parallel manner. This means that the required production of new systems will always be carried out in an organized fashion, with the minimum expenditure of effort and funds, and without wasting any time. The key here is that the new systems will not turn out to be something unexpected or undesirable for the customer, since he participates in all stages of the systems' development.

The "Robot" Scientific and Technical Association already has a program that has been coordinated with and confirmed by customers and manufacturers that outlines the scientific research, testing and design, planning and technological, and experimental operations, as well as the production of advance models and experimental batches of robotic complexes and flexible production systems for 1985-1990.

The fundamentally new element here is that the work called for in the program is contained in a separate section in the annual and five-year state plans for the economic and social development of the participating countries.

The program up to 1990 calls for the production of several hundred robotic complexes, in addition to flexible production systems. The distribution of these projects between the Soviet and Czechoslovak participants is carried out on the basis of coordinated plans.

Full staffing of the "Robot" Scientific and Technical Association will be completed in the next few months. But the association is already starting work on the fulfillment of the 1985 plan.

CEMA/EASTERN EUROPE

CEMA COUNTRIES' CREDIT PLANNING

Moscow PLANOVYE KHOZYAYSTVO in Russian No 4, Apr 84 pp 121-125

[Article by S. Chernetsov, candidate of economic sciences: "Credit Planning in the European CEMA Countries"]

[Text] At the June 1984 Economic Conference of CEMA countries (in Moscow) it was deemed useful to intensify collective work on the development of collaboration and socialist economic integration, exchange experience in economic construction organize the combination of collaboration in planning activities with the active use commercial-monetary relations and the further improvement of foreign exchange and financial instruments for collaboration.

As a component of the economic mechanism, the credit mechanism has a substantial influence upon the development of the national economic complex of the fraternal countries, helps to further and expand their mutually advantageous collaboration and is used to strengthen the planned basis of collaboration.

Credit's role as a lever for improving production efficiency in some countries and the development of mutual collaboration involves the following: it is a medium for the movement of the gross output of enterprises (associations) and the gross social product through the phases of reproduction; it acts as a type of relationship form for the distribution and redistribution of gross social product and national income and is thus linked to economic interests (general national, collective, personal), the banks managing the planned movement of credit are not narrowly departmental, but general economic state organs for the management of the economy; credit relations between socialist countries are accompanied by temporary transfers of accumulated funds from one country to another.

In accordance with the planned character of the socialist economic system, all credit relations (both short term and long term) in CEMA countries are regulated by credit plans. Credit in socialist countries is based upon the observation of the following fundamental principles: it is planned, has a targeted function, material support, timeliness, reimbursement, and payment. It is regulated by normative documents determining the general conditions and specifics for the granting of credit to sectors of the national economy and measures for the influence of credit. The mechanism for the use of

credit in the fraternal countries includes a system for planning credit, the determination of the entities to be granted credit, an established pattern of allocation, preferences and penalties, a procedure for granting and canceling credit, time periods and an interest rate policy.

Improvements in the credit mechanism are directed towards strengthening the effect of financial-credit levers upon economic development, the growing role of credits in increasing production efficiency, accelerating the turnover of circulating capital, making maximum use of enterprises' and organizations' money and material resources and improving accounts between CEMA countries. Above all, it presumes an increased level of credit planning, improvements in the methods for working out credit plans and analyzing their use in order to attain the best balance of investments and resources with economic and social development plans. It is also very important to improve scientifically based financial balances of associations, ministries and departments and their planned credit applications to banks so that there will be the necessary close linkage between credit plans and the material-physical indicators of economic plans.

We will examine the credit systems in various CEMA countries.

In Bulgaria, the People's Bank participates in the management of the economy, performing, planning, regulating, coordinating and control functions and assists in improving the efficiency of the country's social and economic development. In accordance with the decree on the economic mechanism, in effect since 1982, conditions have been created for improving economic relations in all national economic sectors, including the credit system.²

The People's Bank in Bulgaria now draws up a five-year credit plan (the main type of credit plan, with annual credit distributions, and an annual plan with a quarterly breakdown (refining the annual breakdown of the five-year plan). This five-year plan is approved by the government within the framework of the unified plan (financial balance) for social and economic development. Previously, the government did not approve five-year credit plans, but used them as accounting data in compiling the national economic plan and budget.

A unified credit plan has also been developed in Bulgaria. It also includes indebtedness with regard to loans for capital investments and incomplete major construction projects and credit plans for circulating capital and capital investments. Credit resources are planned centrally for the year without quarterly distribution. The unified credit plan indicates the total growth in resources and balances at the beginning and end of the year. Both the unified credit plan and the credit plan for circulating capital are compiled by balances [ostatok], while the credit plan for capital investments is compiled by balances and circulation.

All institutions in the Bulgarian People's Bank are involved in working out the credit plan. A credit contract concluded between a bank and an enterprise which has applied for a necessary loan is the basis for the plan's preparation for each economic organ. The contract determines the total amount of credit for a year, with a breakdown by quarter and by the type of credits, as well as the economic indicators describing the extent of credit: norms for an

enterprise's own circulating capital, the bank's participation in the formation of norm reserves, output sales and others. The credit contract is concluded on the basis of the equal rights of parties, i.e. the economic organizations and the banks servicing them have equal rights and obligations in its implementation. Either the bank or the economic organization can take the initiative to sign a contract for granting a loan. This is a new aspect of the activities of the former.

Every quarter the sector directorates are given reports on the implementation of the credit plan for each economic organ by all institutions of the Bulgarian People's Bank. On the basis of these materials, the general planning and economic directorate makes an analysis of the implementation of the credit plan for the country as a whole.

In Hungary the five-year and annual credit plans are prepared by the national bank in close collaboration with the Hungarian Ministry of Finance and the National Planning Office. The latter works out a national credit balance and the principles of interest policy and presents them for approval by the government. These directives contain targets essential for the fulfillment of the national economic plan. They determine the investment goals, which require credit to reach (increased production of exports, the development of socialist economic collaboration, the attainment of equilibrium in the domestic market, and so on). The state credit plan makes provisions for all credits and their sources.

The main task for credit policy is to assist in the goals of national economic development and to have an active influence upon enterprise economic activities. Changes in the direction of credit allocation can more flexibly implement economic policies (the attainment of national economic equilibrium, increased economic efficiency, the expansion or contraction of capital investments, etc.)

During 1985-1990 it is intended to change the functions and organizational structure of banking institutions. Above all it is proposed to separate the emission and credit functions within the framework of the Hungarian National Bank. It will also determine the policies for accounts, the mandatory norms for reserves for deposits in other banks, etc.

In the GDR the state bank is the central issuing, credit and accounting center for the country. It works out a credit balance, actively assists in the compilation of a balanced national economic plan and evaluates the plans of enterprises, combines and sectors (especially with regard to the use of material and financial resources and improvements in labor productivity.

The GDR state bank prepares a unified annual credit plan for short and term credits (including it in the credit plan of the bank for agriculture, foodstuffs and the Foreign Trade Bank), which is approved by the Council of Ministers, within the framework of the national economic plan. The only accounts prepared for a five year period are those for the main entries in the credit system balance, which the government does not approve. The quarterly

distribution of the annual credit plan is made by the State Planning Commission independently, on the basis of credit agreements made with economic organs.

Credit plan directives are worked out by the GDR State Bank on the basis of a draft national economic plan and are handed down to ministries, combines and enterprises as well as to bank institutions allocating credits. Enterprises prepare draft plans for the use of credits and present them to bank institutions in the form of credit applications. A procedure has been established whereby credit applications for fixed capital investments are presented on the basis of approved circulating capital plans prior to the end of February and, in exceptional cases, prior to 15 March of the fiscal year. In accordance with the GDR Council of Ministers Decree "On Bank Credits and Control in the Socialist Economy" (1982), the bank is obligated to examine applications for credit for circulating capital within 14 days and credit for fixed capital within 28 days.

State bank institutions make evaluations according to enterprise draft plans, which are presented by enterprises to superior organizations (combines). Jointly with enterprises and bank institutions, the combines examine credit applications and make their evaluations according to them. Then, taking into account the approved indicators for the national economic plan, the enterprises conclude credit agreements with the bank.

As a rule, in planning credit in the GDR, no provisions are made for reserves. Every quarter the State Bank gives the Council of Ministers a report on credit plan fulfillment.

In Poland, during the course of the economic reforms made during 1982 substantial changes were made in the banking system. The banking apparatus was transformed into an independent economic sector directly subordinate to the Council of Ministers and the Sejm [not further identified]. The Sejm annually approves a credit plan and balance of the population's monetary income and expenses and the basic directions for monetary-credit policy. The Polish National Bank participates in the preparation and realization of economic and social development plans. Its activities are subordinate to state policies. The credit allocation mechanism is an important instrument for the rational use of resources and for economic influence upon enterprise investment and overall activities.

The relations between the bank and enterprises are regulated on a contractual basis. An enterprise with normal financial-economic activities and which has a stable credit rating, i.e. which can pay off the credits obtained, can become a genuine partner with the bank. If credit rating is lost, or if there is a threat of this, the bank requires that the enterprise work out a program of measures directed towards improving its financial situation. The bank's approval of the program and its successful implementation are conditions for granting further credits.

In Romania the short term credit plan is worked out quarterly by the National Bank and specialized banks jointly with the State Planning Committee, the Ministry of Finance, other ministries, central organs and the executive

committees of district people's councils. It is approved by a decree of the republic's State Council. The plan for medium and long term credits is compiled annually by the Ministry of Finance jointly with banks and the State Planning Committee and is approved simultaneously with indicators for the annual national plan and the state budget. A balanced credit plan is worked out only on a central level. Economic organs present credit applications to local bank institutions.

Bank institutions actively participate in the compilation of income and expense budgets for economic units. They give special attention to the correspondence of credits being planned to problems in the rational use of material and financial resources and the fulfillment of the unified national plan.

In the Soviet Union credits are granted by USSR Gosbank and USSR Stroybank [Bank for Financing Capital Investments]. Based upon the requirements of the CPSU Central Committee and USSR Council of Ministers Decree of 12 July 1979, "On Improving Planning and Strengthening the Effect of the Economic Mechanism upon Improving Production Efficiency and Product Quality," there are provisions to work out five-year and annual plans for bank resources as part of the consolidated financial balance and for their use for short term and long term credits. Nevertheless, the five-year and annual credit plans of USSR Gosbank are not approved by the USSR Council of Ministers and therefore are only of an accounting nature.

Stroybank works out a plan for short term and long term credits for the five-year plan and distributes them by year. The five-year plan for short term credits is compiled for balances of debts by type of loan at the end of each year of a five-year plan and by the size of issue for various types of loan for each year of the five-year plan; while the annual plan is by balance of debt for each type of loan for each quarter. The long term credit plan is compiled by amount of issue for years of the five-year plan. The USSR Stroybank credit plan is a component of the State Plan for the Economic and Social Development of the USSR. It sets the total size of credit allocations, the targeted directions for short term and long term credits and determines the sources of credit. The credit plan is approved by the USSR Council of Ministers and is directive with regards to the short term and long term allocation of credit to construction.

The economic experiment's measures to expand the rights of associations (and enterprises) in planning requires a more active role for banking organs in the preparation of financial plan balances and credit applications at associations (enterprises). It is necessary to make the appropriate changes in the methodology for working out plans for financing the national economy from the state budget and credit plans. Particularly, in our view, five-year credit plans should be compiled for banks. These plans should be broken down by year for the direct receiver of credit -- associations (enterprises), strengthening the influence of credit upon the rational use of labor, material and financial resources.

The improvements in the economic mechanism made in Czechoslovakia in the beginning of the 1980's are a set of measures to upgrade the system for the

planned management of the national economy, the reproduction of fixed capital, technical development and improve export efficiency. They have had a positive effect upon economic development. In 1983 the Principles for the experimental review of measures for accelerating scientific and technical progress, growth in the efficiency of foreign economic relations and the creation of a single investment fund were approved.

Changes in the credit mechanism are directed towards strengthening the role of monetary circulation in the economy, increasing the efficiency of bank credits and the interest rates on foreign exchange operations [protsentov valyutnogo khozyaystva] and the rationalization of relations between banks and economic units.

The Czechoslovakia State Bank grants credit through the systematic observation of criteria for efficiency and payment. In the process of improving planning and financing changes have been made in the distribution of credits by category. There are increased requirements concerning the criteria for the foreign exchange plan and production efficiency. Credit conditions are differentiated with regard to production and economic units, taking into account the formation of their own resources, the results obtained and the fulfillment of specific indicators for the efficiency of credit use.

The main instrument for the planning of monetary and credit operations is the monetary plan, which is compiled for the five-year plan and annually for the republic as a whole. It includes credit plans for all banks in the country and foreign exchange and cash plans. In Czechoslovakia, not only is the plan for the forthcoming year approved, but provisions are made for the subsequent year. Also, legislation entrusts foreign exchange planning functions to the State Bank of Czechoslovakia which enhances its possibilities for working out the monetary plan. After approval (simultaneously with the national economic plan and the state budget) it is handed down to all executors through sectors of the central apparatus: industrial ministries, divisions, production and economic units (associations, enterprises and organizations).

With the centralization of planning for monetary, credit and foreign exchange flows in Czechoslovakia, there is now widespread participation of banking institutions in production and financial planning, especially at the lower levels of the national economy. Business contacts are established at the initial stages of production, financial and credit planning and continue during the process of credit plan approval and implementation. Such extensive participation of bank institutions in the examination of plans assures that the number of clients serviced by one credit worker is not great (as a rule, it is 2 - 3 enterprises). Great attention is given to the signing of credit protocols between enterprises and banks to regulate credit relations. They are compiled annually and for the five-year plan.

Credit reserves are an important element of the credit plan. In Czechoslovakia these reserves are created in the following forms: a targeted credit reserve, linked to reserves formed in the state plan for capital investments and foreign exchange draft reimbursement limits (they are approved by the government and are at the disposition of the president of the State Bank of

Czechoslovakia as well as reserves linked to the satisfaction of enterprise requirements for credit arising during the fulfillment of state plans.

In spite of the specific features of credit planning in individual CEMA countries, in the majority of them credit activities are regulated with the help of a single credit plan encompassing credit resources and their distribution throughout the entire national economy. This applies to resources granted by the central bank and to credits allocated by other organizational units of the monetary system (special banks, savings banks and insurance societies).

Thus, in the Soviet Union credit relations are regulated by the short and long term credit plans of USSR Gosbank and USSR Srobybank, the main one being USSR Gosbank's short term credit plan. It reflects the balance of the remaining credit plans. In some fraternal countries medium and long term credits are planned by the ministries of finance and are handed down to executors together with indicators for the state budget (Romania). In Bulgaria the unified credit plan consists of two parts: the credit plan for circulating capital and the credit plan for capital investments. As a rule, in accordance with national economic development plans, credit plans are compiled for five-year and one year periods and are broken down by economic sector. They have a directive nature in a number of countries (Bulgaria, Hungary, Czechoslovakia).

Simultaneously with the strengthening of the centralized basis for planning, there is expanded participation of low level bank institutions in the compilation and implementation of credit plans at enterprises. In all European countries of CEMA economic organs receiving credit are obligated to coordinate with banks the plans for financial resources used to pay off credits and their own resources allocated for various measures. In the process of coordinating the planned magnitudes of credit, the bank exercises control over the sales plan for the output produced and discovers unneeded or difficult to sell goods. If necessary, it demands correction in the production and sales plans. Credit agreements concluded between economic organs and banks are becoming an important element in credit planning. They are either the basis for compiling the credit plan (Bulgaria) or are used as an active element for plan fulfillment (GDR).

The majority of CEMA countries place great importance upon credit's control functions in plan preparation and elaboration. During the planning process the bank follows the observation of criteria for the efficiency of credit use and influences the decision making process with regard to the national economic development plan, especially the qualitative parameters. Preliminary control is directed towards the following:

- observation of economic-legal norms, directives and instructions in the planning of an economic process, in particular the fulfillment and observation of obligatory plan tasks, limits and indicators handed down to organizations:

- the basis for the participation of credit in financing the planned process with regard to the observation of the principles of the bank's credit policy, including control over the justification for the volume of credit participation;

--the ability of the receiver of the credit to create a volume of resources sufficient to pay off present and future credits on time.

A study of the financial-credit mechanisms operating in the European socialist countries, in particular, the mechanisms in the area of planning, shows that the changes recently made are directed towards the following: Strengthening their effect upon the accelerated transition of economies to the intensive path of development; increasing their efficiency through improvements in the structure of social production, the rational and economic use of existing material and labor resources; improving the use of fixed capital and scientific-technical potential, creating favorable conditions for the establishment, on a cost accounting basis, of joint firms, enterprises and other international economic organizations.

The credit mechanisms in CEMA countries are being developed within the framework of the comprehensive improvement of economic mechanisms (covering management, planning, material stimulation, financial relations price formation and cost accounting). This will create the prerequisites for the convergence of their economic mechanisms.

FOOTNOTES

1. See "Ekonomicheskoye Soveshchaniye stran -- chlenov SEV na vysshem urovne 12 - 14 yunya 1984. Dokumenty i materialy" [The Economic Summit Conference of CEMA Countries held on 12 - 14 June 1984. Documents and Materials], Moscow, Politizdat, 1984
2. In pursuing this, the following decrees were passed by the Council of Ministers of the People's Republic of Bulgaria: "On the Improvement of Banking activities" (1982) and "On Further Strengthening of Cost Accounting at Banks and the Use of Specific Management Rules in their Activities in Accordance with the Decree on the Economic Mechanism" (1983). These decrees outlined changes in the relationships between economic organizations and banks (D"RZHAVEN VESTNIK", Nos. 9, 10, and 11).

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CENA/ EASTERN EUROPE

USSR-GDR COOPERATION IN MACHINE-TOOL INDUSTRY

Moscow FOREIGN TRADE in English No 4, Apr 85 pp 19-20

[Article by Dr Rudi Georgi, GDR minister of Machine-Tool and Instrument-Making Industry: "USSR-GDR Cooperation in the Machine-Tool Industry"]

[Text]

Every day the GDR's mass media gives examples of fraternal relations between the Soviet Union and the German Democratic Republic. Now that only several weeks remain before the 40th anniversary of Victory over hitlerite fascism we can state that our countries' cooperation has progressed and embraces all spheres of social life.

The GDR is a politically stable socialist state with a highly, dynamically developed economy which is constantly augmenting its economic potential.

Soon after the formation of the German Democratic Republic the first Agreement on Trade and Payments between the two countries was signed (April 1950). This Agreement envisaged the USSR's deliveries of machinery, equipment, raw and other materials and also foodstuffs to the GDR. In 1950 the USSR-GDR trade turnover was slightly over 300 million rubles, and in 1984 the mutual trade volume reached 14,000 million rubles.

USSR-GDR cooperation in the machine-tool industry is greatly assisting the development of the countries' trade and economic ties.

Through a stable legal base the two industries' contacts are deepening and expanding. On this point I would like to refer to the USSR-GDR Treaty on Friendship, Cooperation and Mutual Assistance, the Programme for Specialization and Cooperation in Production up to 1990 and also to the Guidelines of Specialization and Cooperation in Production in the machine-tool and instrument-making industry up to

1990. Of great importance also was the signing, in the year of the 35th anniversary of the GDR's formation, of the USSR-GDR Long-Term Programme of Development of Scientific, Technical and Production Cooperation for the period ending in the year 2000.

In the current five-year plan period cooperation in the above industries is being carried out primarily under inter-departmental agreements, which include design, specialization and cooperation in production as well as mutual deliveries of metal-cutting machine tools, press-forging installations, machines processing plastics and elastomers, etc. Among these agreements is an agreement on cooperation in designing, manufacturing and mutually delivering abrasive materials and instruments made from synthetic diamonds and other superhard materials.

The GDR's machine-tool making complexes' production programmes take into account the demands of various industrial sectors and the Soviet Union's major users. They supply, in particular, certain machines and automatic lines for the bearing, automotive and tractor industries, agricultural machinery and electrical engineering industries. Owing to long-term planning and specialization in production the range of goods and production costs have been reduced to the maximum, materials saved and enterprises' capacities increased. The reduction of the range of products at the same time made it possible to concentrate the research and design potential and design numerous items meeting the higher technical requirements of industry.

Export structure: a qualitative shift. The German Democratic Republic is one of the world's largest machine-tool exporters. Over the past 30 years more than 300,000 machine tools with the WMW trade-mark were supplied to approximately 60 countries; over 50 per cent of this number went to the Soviet Union. These figures witness the great significance of the USSR for the GDR's machine-tool industry.

In recent years a noticeable shift has occurred in the structure of the GDR's export to the USSR. At present the GDR supplies the USSR mainly with highly productive special-purpose machine tools, semi-automatic and automatic machine tools and automatic lines. The portion of standard machine tools in the GDR's export to the USSR in 1957 amounted to 75 per cent but in the current year it will be 30 per cent. At the same time the proportion of automated machine tools including those with numerical control will grow from 20 per cent in 1957 up to 50 per cent or more in 1985. Automatic lines

and systems today constitute 20 per cent of the export. These deliveries are raising Soviet labour productivity.

The GDR has planned to supply by 1990 nine flexible production systems and 130 flexible production sections for processing housings and rotating parts. When manufacturing this equipment the GDR's machine-tool industry takes into consideration the demands of the USSR—its main purchaser. The first flexible production systems for the Minsk and Gorky factories will be shipped already in the current five-year plan period.

Mutually beneficial cooperation. The main task of scientific and technical cooperation between the two countries' industrial associations, complexes and enterprises is to design new machine tools and specialize in production.

We can cite many examples confirming this. Thanks to cooperation between the Ivanovo industrial association and the Fritz Heckert machine-tool complex in Karl-Marx-Stadt new automated boring and slitting machines were designed. Close partnership is maintained also in rationalization of production and exchange of equipment.

Good results were reached also in designing automatic multiposition plate stamping machines, automated press complexes and automatic thermoplastic precision die-casting machines. Our two countries effectively cooperate in designing, manufacturing and mutually supplying abrasive materials and instruments made from synthetic diamonds and other superhard materials. Due to their use labour productivity when processing metal, glass, ceramics, stone and concrete rises.

Cooperation in manufacturing consumer goods and realizing the USSR Food Programme is spreading fast. Thus, the GDR machine-tool industry is participating in reconstructing the Lenin Komsomol Motor Works by supplying highly productive metal-cutting machine tools, press-forging equipment and automatic lines. To increase the production of domestic sewing machines the M. I. Kalinin engineering works in Podolsk will be reconstructed. Deliveries of the GDR's production equipment are envisaged.

Close cooperation with the Soviet Union is seen very well in the GDR's machine-tool industry's exhibits shown at the Leipzig Spring Fair in 1984. Mainly flexible production systems, highly automated processing centres and other items having a high engineering level were displayed. For example, the PASZ250.3-electronic, highly productive automatic

two-post cutting machine was exhibited. This machine was designed by the USSR, GDR and Czechoslovakia Joint Design Bureau, and is used for the mass production of electrical engineering products.

USSR-GDR cooperation in the machine-tool and instrument-making industry will deepen and expand. Its further development is based on a recently signed Long-term Programme of Development of Cooperation for the period ending in the year 2000. This document envisages comprehensive mechanization and automatization of major and secondary metal-working processes for the design and manufacture of new types of products corresponding to the world's best standards. The aim is to substantially reduce energy and material consumption and process the existing types of raw material and other materials to the maximum degree.

Along with manufacture and deliveries of equipment for the flexible production sections it is necessary to accelerate the introduction of new progressive technologies such as the laser equipment. Wide application of microelectronics will promote the creation of new unified programme-control systems for machine tools and flexible robotized complexes.

Implementing the Long-term Programme of Development of Cooperation in Science, Technology and Production the Soviet and GDR's machine-tool industries make a ponderable contribution to the further strengthening of our countries' fraternal union.

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CMEA/EASTERN EUROPE

USSR-GDR: LONG-TERM COOPERATION PROGRAM REVIEWED

Moscow FOREIGN TRADE in English No 4, Apr 85 pp 21-22

[Article by Nikolai Baturin: "USSR-GDR Long-Term Cooperation Programme"]

[Text]

On October 6, 1984, in Berlin, during the celebrations to mark the 35th anniversary of formation of the German Democratic Republic, a document was signed specifying the main trends in the two countries' economic, scientific and technical cooperation up to the end of the century—the Long-Term Programme for the Development of Cooperation between the Union of Soviet Socialist Republics and the German Democratic Republic in Science, Technology and Production for the Period Ending in the Year 2000.

The document was signed by A. A. Gromyko, on behalf of the Soviet Union, and E. Honecker, on behalf of the GDR.

The Programme for Cooperation was worked out by the parties with account taken of the successful development of economic, scientific and technical cooperation and also the experience gained in the course of developing the socialist economic integration of the CMEA member-countries. The first 35 years of the GDR's existence have at the same time been years of our countries' ever closer and deeper relations in all spheres of economic, political and spiritual life.

The results, summed up during the GDR's anniversary, of the country's economic development over the 35 years of its existence testify to the great force of the socialist social system, which has triumphed in the Republic. The German Democratic Republic, with 0.4 per cent of the world's population, produces 1.3 per cent of the world's

national income and 1.8 per cent of the world's industrial output; per capita production in the GDR is four times higher than the world average. Since 1971 the average annual growth of national income has amounted to 4.6 per cent, an indicator that has not been achieved by any industrial capitalist country. These achievements, as the GDR leaders stress, could not have been achieved without cooperation with the Soviet Union and other CMEA member-countries. E. Honecker pointed out that "our jointly elaborated targets and far-reaching economic policy coordination are a decisive guarantee of positive prospects for the GDR."*

At present, there are more than 190 economic agreements in force on specific questions of cooperation, concluded at the level of both countries' governments or ministries. The agreements are aimed at creating new types of articles and installations and also modern manufacturing methods, at increasing the production capacities of articles in short supply, developing specialization and cooperation in production, and raising the quality and efficiency of production. By combining both countries' scientific, technological and industrial potentials it has been possible to set up, in short periods of time, a whole series of different types of production and technology in mechanical engineering, electronics, chemistry, the light and other industries the technical indicators and quality of which are of top world standards.

The Soviet Union and the GDR base their economic relations on the decisions of the CMEA member-countries' Summit Economic Conference, stressing the necessity and urgency of further expanding and improving the efficiency of the fraternal countries' mutual cooperation.

The Long-Term Programme for the Development of Cooperation between the USSR and the GDR points out that the sides have adopted it in pursuance of the policy of the Communist Party of the Soviet Union and the Socialist Unity Party of Germany aimed at furthering ever closer political and economic interaction and a rapprochement of both countries' peoples on the principles of socialist internationalism, friendship and mutual assistance.

The Programme provides for a wide range of directions in economic, scientific and technical cooperation, meeting the key needs of our countries' economic strategy, of intensified production. Joint efforts will be undertaken for furthering scientific and technical progress and widely

using its achievements for intensification of the economy on the basis of high growth rates of labour productivity, saving all kinds of resources, wide use of secondary raw materials, working out technological solutions and designing equipment for the reconstruction and modernization of the capacities in use, substantial raising of technical level and the quality of products.

Special attention is being paid to improving the structure of both countries' national economies and the division of labour established between the USSR and GDR. Besides achieving a more efficient inter-sector exchange, intra-sector specialization and cooperation in manufacturing industries should form the foundation of socialist economic integration. The wider cooperation by parts and units will help meet requirements in components and spares which is an important condition for improving the efficiency of production and equipment operation. For this purpose, the degree of compatibility of the products manufactured in our countries must be very high, and our countries have agreed to continue comprehensive standardization and unification of the articles made.

To ensure the further growth of social production, a higher technical level and reliable products, the primary role is played by mechanical engineering, which underlies technological progress and greater production efficiency in all economic sectors. Engineering products are known to take an important place in our countries' mutual deliveries, especially in the GDR's exports to the Soviet Union, occupying two-thirds of Soviet imports from the German Democratic Republic. The technical level and quality of the equipment supplied largely define the technical potential of the enterprises at which the imported equipment is installed. To our countries' mutual interest the Programme provides for joint elaboration, manufacturing and putting into production of new types of engineering products corresponding to the world technical standards and ensuring, in particular, a high degree of raw material processing, comprehensive mechanization and automation of the production and auxiliary processes. Special attention is being paid to the elaboration and production of microelectronic articles, the wider sphere of their application, creation of the latest basic processes for manufacturing electronic products, production equipment and materials.

Our countries are cooperating on a wide scale in electronics, which has provided good results for both states.

This cooperation helps in solving big problems in the electronics and other industries, both in the USSR and GDR. The main result of this activity is that today not only the Soviet Union but also the GDR belongs to the small number of countries that can design and make the micro-electronic elements and materials needed for their production and also highly qualitative equipment for their output on the basis of the most progressive technological processes. Further cooperation in this field, envisaged by the Long-Term Programme, will reliably promote improved and increased production in one of the most important industries defining technological progress.

The supply of both countries' economies with fuel and raw materials is a vital strategic task. As its main direction, the sides defined the realization of a set of measures aimed at the economical and rational utilization of energy carriers and raw materials, the improved structure of their production and consumption, making maximum use of the possibilities offered by cooperation.

The Long-Term Programme states that to continue to receive the most vital fuels and raw materials from the Soviet Union, the GDR will take the necessary measures in the sphere of capital investments, reconstruct and modernize its industry to ensure the production and export to the USSR of the goods needed by it, in particular, greater quantities of top quality consumer goods, some types of structural materials, chemicals, modern highly productive machines and equipment corresponding to the best foreign samples, and also will go on participating in the creation of capacities in the oil, gas and other sectors of the extracting industry.

Long-term cooperation, aimed at developing production and its improvement will be effected in the power industry, ferrous and non-ferrous metallurgy and chemistry among other sectors. The parties will jointly solve pressing questions for both countries' economies with regard to transport and communications. In the future the USSR and GDR will deepen cooperation in producing foodstuffs and industrial consumer goods. Our countries will continue strengthen the material and technical base of agriculture and the food industry by their joint efforts, using their scientific and technical potential and the experience gained in cooperating to raise the productivity of the agro-industrial complex, to restructure enterprises of the light industry, and also to exchange modern high quality products, widening the range of home trade.

The commodity exchange between the USSR and the GDR will be developed on the basis of the deeper division of labour and greater specialization and cooperation in production; it will continue to increase through mutual shipments of goods which determine scientific and technological progress and involve a high degree of processing of raw and other materials.

The implementation of the Long Term Programme is entrusted to the Intergovernmental Commission of Economic, Scientific and Technical Cooperation between the USSR and the GDR, which, jointly with the two countries' planning bodies, will promote the working out of new proposals for furthering friendly relations, economic, scientific and technical cooperation.

When describing the Long-Term Programme for the Development of Cooperation between the USSR and the GDR, A. A. Gromyko pointed out that it was a big new step forward in drawing together our resources and potentials in the interests of the further construction of socialism. It is in complete accordance with relations of invariable solidarity, constantly strengthening friendship and cooperation between the Soviet Union and the GDR.

* *Pravda*, October 5, 1984.

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CEMA/EASTERN EUROPE

SOVIET-HUNGARIAN LONG-TERM COOPERATION PROGRAM OUTLINED

Moscow EKONOMICHESKAYA GAZETA in Russian No 17, Apr 85 pp 13-15

[Text of "Long-Term Program to Develop Economic, Scientific and Technical Cooperation between the Union of Soviet Socialist Republics and the Hungarian People's Republic up to the Year 2000" signed by G. Aliyev, for the USSR, and D. Lazar, for Hungary]

[Text] The Union of Soviet Socialist Republics and the Hungarian People's Republic,

Guided by the decisions of the congresses of the Communist Party of the Soviet Union and the Hungarian Socialist Workers Party [MSZMP] and the agreements reached during the meetings between the general secretary of the CPSU and the general secretary of the MSZMP,

In accordance with the provisions of the Treaty on Friendship, Cooperation, and Mutual Assistance between the Union of Soviet Socialist Republics and the Hungarian People's Republic signed on 7 September 1967,

Supported by the economic, scientific and technical potential of both countries, the results of successful development of economic, scientific, and technical cooperation between the USSR and Hungary, and the experience gained during the implementation of the Long-Term Program for the Development of Specialization and Cooperative Production between the USSR and Hungary up to 1990,

Taking into account the goals for intensification of the national economy, acceleration of scientific and technical progress, and further improvements in the standard of living of the peoples of both countries,

Proceeding from the decisions of the CEMA Economic Summit Conference (held in June 1984) regarding further development and improvements in cooperation, deepening stable long-term specialization and cooperative production, and expanding mutual trade,

Utilizing the results of working out the Basic Directions for Economic and Social Development in both countries for 1986-1990 and up to the year 2000,

Convinced that all-round fraternal cooperation between the USSR and Hungary and deepening of the international division of labor will serve the cause of strengthening unity among countries of socialist cooperation and are important factors in the campaign to strengthen peace and international security,

Have adopted the present Long-Term Program to Develop Economic, Scientific and Technical Cooperation between the USSR and Hungary up to the year 2000.

I. Relations between the USSR and Hungary are undergoing dynamic and fruitful development in all areas of economic, scientific, and cultural life in accordance with principles of Marxism-Leninism and socialist internationalism, which corresponds to the fundamental interests of the Soviet and Hungarian peoples and promotes successful fulfillment of the goals of building and improving a developed socialist society. A key factor in the development of Soviet-Hungarian relations is the close cooperation between the CPSU and MSZMP, which is characterized by mutual trust and common views on all the most important issues in contemporary life.

The USSR and Hungary, utilizing the advantages of a planned economy and the opportunities provided by mutual cooperation, have strengthened their economic, scientific and technical potential, raised the physical and cultural standard of living of their people, and created the conditions for further economic development, expansion of mutual cooperation, and shifting the national economies of the two countries to a course of intensive development.

The Long-Term Program to Develop Specialization and Cooperative Production between the USSR and Hungary up to 1990, signed in 1980, has played an important role in deepening economic, scientific and technical cooperation.

The Soviet Union is Hungary's most important economic partner. Soviet-Hungarian cooperation plays a significant role in improving Hungary's economy, especially industry, and in ensuring dynamic economic growth and expanding Hungary's export potential. Soviet supplies of fuel, raw materials, power, and modern equipment and materials meet a considerable proportion of Hungary's import demands, and together with Hungary's own resources, including the production output of enterprises and other projects built with the technical assistance of the USSR, they provide opportunities for the successful development of Hungary's national economy. Large-scale, steady orders from the USSR provide a favorable foundation for organizing efficient specialized production.

Hungary's delivery to the USSR of various types of machine building products helps meet the demands of the food and electrical equipment industries more fully, as well as the demands for transportation and communications equipment. Deliveries of agricultural produce, food, and industrially produced consumer goods makes it possible for the USSR to improve the supply of these products to the public.

The CEMA Economic Summit Conference opened up new opportunities for improving economic cooperation and cooperative management among economists from the USSR, Hungary, and all fraternal countries. The resolution adopted at the conference outlines the basic directions in the strategy for economic development and

deepening of the international socialist division of labor. The agreement to take a new step in deepening the coordination of economic policy in areas involving mutual cooperation, and to work collectively to develop ways of resolving important economic problems that are of mutual interest, is of major importance.

The Soviet Union and Hungary are firmly resolved to do everything possible to promote cooperation within the Warsaw Pact organization and CEMA, and to play an active part in implementing the decisions and directives of the CEMA Economic Summit Conference and other agreements on multilateral economic, scientific and technical cooperation.

The main goal of Soviet-Hungarian cooperation is active promotion of comprehensive improvements in the people's standard of living, more complete satisfaction of their demands, and further strengthening of the friendship and fraternal alliance between the peoples of the two countries.

The coordination of the state plans of the USSR and Hungary, the application of effective new forms of economic, scientific and technical cooperation, and broad development of production cooperation and direct ties between associations, enterprises, and scientific organizations in the two countries are playing a growing role in carrying out the planned directions for mutual cooperation.

The USSR and Hungary will deepen their coordination of economic policies in areas of economic cooperation that are of mutual interest, with the aim of working out ways to solve problems involved in providing the national economies of the two countries with fuel, power, and raw materials, and developing the agro-industrial complex, and priority industries such as machine building, microelectronics, robotics, consumer goods manufacturing, and other sectors of the economy. The new step planned in developing comprehensive economic, scientific and technical cooperation and strengthening cooperation in economic management will provide direction in forming the structure of production in coordinated sectors of the national economy and in outlining areas for cooperation in the future.

The USSR and Hungary believe that unification of efforts aimed at making maximum efficient use of the latest scientific and technical achievements and intellectual, material, and technical resources in the interest of intensifying the national economies of the two countries should become a key factor in realizing the goals of Soviet-Hungarian cooperation.

Taking into account the basic directions of scientific and technical progress and the primary demands for long-term social and economic development, the priority areas for cooperation will be:

Widespread use of electronics in the national economy through introduction of microelectronics and computer technology, which will make it possible to raise national labor productivity substantially and step up scientific and technical progress in all sectors of the national economy, including the nonproductive sphere;

Comprehensive automation based on flexible production systems that utilize equipment with numerical programmed control systems, and high-productivity industrial robots, which will provide optimal utilization of capacities and a reduction in the capital requirements per ruble of output, in the consumption of materials, and in living labor;

Accelerated development of atomic power engineering for the production of electrical and thermal power, and on this basis, a reduction in the proportional consumption of hydrocarbon fuels in the overall fuel and power balance;

Creation and introduction of new materials and technologies that will increase the efficient utilization of raw materials resources, and bring about a substantial reduction in the consumption of power and materials in production and an increase in labor productivity;

Development of biotechnology with the aim of producing efficient feed for animal husbandry, creating effective biological methods to fight pathogenic organisms, increasing the yield of agricultural crops and livestock productivity, creating high-productivity agricultural technologies, producing highly effective drugs, and widespread application of the results of biotechnological research in industry, agriculture, health care, and environmental protection measures.

The USSR and Hungary will focus particular attention on the development of fundamental research and on application of the results in the national economy, strengthening the complementary nature of the scientific and technical potential of the two countries, creating effective forms for the division of labor and cooperation in the area of scientific research and technical development, and strengthening the material and technical base of scientific research.

In the area of production, the Soviet Union and Hungary will focus attention on further development of mutually beneficial specialization and cooperative production; strengthening the material base of the national economy through broad introduction of modern, high-efficiency technological processes, machinery, equipment, and materials; rational utilization of production capacities; conserving manpower and material resources; and improving product quality.

Utilizing the opportunities provided by the two countries, both parties will create the necessary conditions for expanding joint endeavors in the markets of third countries, especially those involving the export of technology and sophisticated equipment.

The parties will work to see that the role of all-round cooperation, including research, development, production, sales, and service, is expanding steadily.

In connection with the fact that improvements in and development of the production and nonproductive infrastructure will play an important role in the long-term development of the economies of the two countries, the parties have agreed to do everything possible to help carry out this task.

II. 1. In the course of further expansion and deepening of Soviet-Hungarian economic, scientific and technical cooperation, the parties will devote particular attention to:

Conducting a coordinated, and in some areas a single, scientific and technical policy in order to use joint efforts to resolve the most important scientific and technical problems that are of mutual interest as rapidly as possible;

Developing cooperation in creating a theoretical base for scientific and technical progress, strengthening fundamental research, and resolving the most important tasks, which will make it possible to reach worldwide levels for technical and economic indicators;

Rational utilization of natural resources, especially fuel, raw materials, and power, and the production and scientific and technical potential, keeping in mind improvements in the production structure, economical consumption of materials, fuel, and power, and broad introduction of modern waste-free technologies, all of which are in the interest of both countries;

Accelerating the introduction of scientific and technical achievements into the national economy and ensuring coordination in the area of economic, scientific and technical cooperation;

Realization of state economic, scientific and technical programs being carried out in the USSR and Hungary, as well as the provisions of the 15-20 year Comprehensive Program for Scientific and Technical Progress in CEMA member countries;

Working out scientific and technical problems in areas of industrial production in which the practical conditions exist for expanding specialization and cooperative production, which will promote further increases in the mutual supply of goods;

Increasing the technical level, quality, competitiveness, and the esthetic and ergonomic level of products manufactured in the two countries;

Taking into account multilateral cooperation, developing unification and standardization in the interest of increasing the profitability of production and further expanding mutually beneficial specialization and cooperative production;

Modernization and reconstruction of industrial and other projects, including those built through cooperative efforts, with the aim of raising their technical level and intensifying production;

Unification of metrological norms and methods with the aim of further developing the metrological base of the national economy in the two countries;

Creating unified means and methods for controlling manufacturing processes and product quality;

Environmental protection, and the creation and application of effective methods and means for protecting the environment.

The parties will improve cooperation in purchasing and using licenses and "know-how" and will work out measures for further development and improvements in cooperation in the area of scientific and technical information, and expanding the exchange of existing information on scientific and technical achievements.

2. In the area of machine building, which is the most important material base for technical progress and increasing the efficiency of national production in all sectors of the national economy, cooperation will be directed at:

Rational utilization of the machine building potential of the two countries and its further development in accordance with mutual interests, in order to resolve complex tasks that have top priority in the economies of the USSR and Hungary;

Implementation of measures to raise the technical level and quality of machinery and equipment involved in mutual deliveries in accordance with the demands of scientific and technical progress;

Increasing comprehensive mechanization and automation of production processes and the nonproductive sphere through widespread utilization of electronics and computer technology;

Creation and introduction into production of new technological processes, machinery, equipment, assemblies, and parts that meet world standards and provide, first and foremost, conservation of energy, raw materials, and other supplies, a high degree of processing of raw materials, utilization of waste products and secondary raw materials, and also an economically based reduction of imports from capitalist countries;

Development of unified, stable specialization and cooperation, including intrasectorial cooperation, for mutual deliveries of assemblies and parts.

The USSR and Hungary will cooperate in the creation, introduction into production, and mutual delivery of the following types of machinery, equipment, and technologies:

Active and passive electronic and electromechanical elements and products for optical electronics; superintegrated components and assemblies; a new generation of microelectronic instruments based on progressive physical principles; extra-pure primary and auxiliary materials used in microelectronics; various microelectronics products; technological processes for producing large and superlarge integrated circuits; new types of high-productivity special technological and control and measurement equipment for planning, installation, and controlling large integrated circuits;

Radioelectronic equipment using a jointly developed element base; equipment for magnetic recording of audio and video data; a new generation unified element

base for use in small-scale equipment, instruments, and automation equipment for scientific research;

Electronic computers and systems for controlling computer complexes; junctions and peripheral equipment; technical means for a single system and a system of small electronic computers for CEMA member countries and the software needed for the operation of these systems;

Automated systems for collection, transmission, processing, and storage of data using small computers; networks of computers, systems and data teleprocessing equipment for widespread use in the national economies of the two countries;

Light transmission equipment, especially laser technology, in instruments, machinery, and equipment, in addition to manufacturing processes;

Various types of communications equipment needed for the coordinated and automated communications system for CEMA member countries, including electronic automatic telephone exchanges, wireless communications (ultrashort-wave and microwave ground-based and space communications) and wire communications (including optical fiber systems), systems for consolidating communications; means, systems, and equipment for transmitting television and radio programs; multichannel superhigh frequency equipment and electroacoustic devices;

Flexible production systems, robots, and robotic complexes using equipment with numerical programmed control systems and accessories;

High-efficiency modern processing methods in the metalworking industry aimed at increasing equipment productivity and the precision and durability of parts and assemblies;

New types of machinery, equipment, control systems, and communications equipment for raw materials and energy sectors of industry, agriculture, and the production of food and industrial consumer goods, construction and the construction materials industry, road management, and for the chemical, petrochemical, petroleum refining, and electrical equipment industries;

Equipment for comprehensive mechanization and automation of materials handling operations, loading and unloading operations, and warehousing services in industry, construction, agriculture, and transportation;

A new generation of passenger and freight vehicles, buses, and transportation equipment for air, rail, and water transport with high technical and operating indicators in terms of fuel economy and ecological considerations;

New medical instruments, apparatus, monitors, and automatic devices using microelectronics for disease prevention, diagnosis, and treatment.

The parties will be engaged in deeper and more steady cooperation in the production of motor vehicles, tractor and agricultural machine building, atomic power equipment, in instrument building, computer technology, the machine tool industry, the production of industrial robots, microprocessor equipment, and other types of products of the machine building industry and radio electronics;

and they will participate in the construction, reconstruction, and technical re-equipment of machine building enterprises.

Priority attention will be given to supplying spare parts for machinery and equipment that has been provided on a reciprocal basis, along with technical maintenance and service for this equipment.

With the aim of creating favorable conditions for the development of specialization and cooperative production, the parties have agreed to continue to carry out comprehensive standardization and unification of the goods produced and to ensure that the products are compatible and interchangeable by working out unified systems of machinery, equipment, and instruments on a high technical level in cooperation with other CEMA member countries.

3. The USSR and Hungary believe that cooperation in providing the national economies of the two countries with fuel, power, and raw materials is a most important strategic task, and it can be resolved by mobilizing the countries' own resources and strengthening mutual cooperation.

With this aim, the USSR and Hungary will carry out a set of measures aimed primarily at economical and rational utilization of power sources, raw materials, waste products, secondary raw materials, and reducing the power and materials consumed in production by introducing progressive manufacturing processes, modern machinery and equipment, and changing the structure of production and the consumption of raw materials and power. The two countries will also take steps to develop cooperation in the production and mutual supply of fuel, power, and raw materials.

In order to create the economic conditions that will ensure realization and continuation of deliveries from the Soviet Union of a number of types of raw materials and power to meet the import demands determined by the coordination of plans and long-term agreements, Hungary will gradually and steadily develop its own production and export structure within the framework of a coordinated economic policy, and will carry out the necessary measures in the area of capital investments, reconstruction and rationalization in its own industry in order to provide the goods needed by the Soviet Union, specifically food and industrial consumer goods, several types of construction materials, and high-quality machinery and equipment that meets world standards; Hungary will also participate in creating capacities in certain sectors of the extractive industry. Mutually acceptable resolutions on these issues will be worked out taking into account the objective economic conditions of the USSR and Hungary, as well as the structure of production and the mutual goods turnover. This will ensure mutually beneficial compensation for expenditures and will open up opportunities for further deepening of stable, long-term specialization of production between the USSR and Hungary.

In the area of power engineering, long-term cooperation will be aimed primarily at increasing the reliability of the parallel operation of the United Power System, at improving technological processes involved in producing thermal and electrical power, specifically through cooperation in the construction of atomic power plants and subsequently in the erection of atomic thermal mains; at creating new progressive equipment and improving equipment, instruments, and

systems for controlling processes at atomic electric power stations; improving the structure of power carriers; and at developing economical manufacturing processes and high-productivity equipment that will help reduce the consumption of fuel and power.

The parties will cooperate to improve methods and technologies for extracting coal and lignite, to achieve overall automation of mining operations, to develop equipment for the widespread use of compressed and liquefied gases as motor fuel, to make better use of secondary power carriers, including low-potential carriers, to optimize the consumption of power at energy-intensive plants, especially those involved in metallurgy, the chemical industry, and the production of construction materials (brick, cement, lime, glass).

4. Cooperation in ferrous and nonferrous metallurgy will be aimed at improving the technology and structure of metallurgical production, improving the quality and expanding the assortment of goods produced, and increasing the production of high-quality steel and other high-quality materials in order to do a better job of meeting the demands of the processing industries in both countries. Hungary will participate in developing capacities in the USSR for extracting and concentrating iron ore in order to continue to receive this raw material from the Soviet Union. By deepening and expanding specialization, the two parties will expand the exchange of a variety of products of ferrous and nonferrous metallurgy.

The parties will continue their cooperation in the production of alumina and aluminum under conditions that are mutually beneficial.

The USSR and Hungary will cooperate in the construction, reconstruction, and modernization of ferrous and nonferrous metallurgy projects in both countries.

The USSR will participate in geological prospecting operations for nonferrous metals in Hungary.

The parties will cooperate in creating and introducing technologies for thorough processing and economical utilization of raw materials and other supplies in ore concentrating operations, in cokeless metallurgy, in developing new methods for steel smelting, and new, improved and more efficient methods for producing alumina and aluminum.

5. In the chemical and petrochemical industries primary attention will be focused on using specialization and cooperative production to deepen and expand the already existing cooperation in the production and mutual delivery of chemical means of plant protection, mineral fertilizers, olefins and olefin products, rubber products, products of the petrochemical industry, chemical reagents, and especially pure substances, and processes and equipment for producing paint and varnish materials and photochemical products. The USSR and Hungary will also work to organize new cooperation in the production of other chemical and petrochemical goods. The parties will cooperate in the development and utilization of contemporary manufacturing processes and equipment that will provide more thorough and economical processing of raw materials and other materials.

In the pharmaceutical industry, the parties will continue their cooperation in research, in the development of new processes, and in specialization and cooperative production.

The parties will coordinate the capital investments that are allocated for developing the chemical and petrochemical industries in both countries, and they will participate in the construction and reconstruction of enterprises in these industries with the aim of doing a better job of meeting the demands of the national economies of the USSR and Hungary for various types of products from these sectors, and they will take steps to make economically sound reductions in the import of these goods from capitalist countries.

6. In the production of industrially produced consumer goods, the parties will direct their cooperation toward taking steps to strengthen the raw materials base for the production of these goods, increase the output of fashionable articles and goods that are in high demand, and expand specialization and cooperative production and mutual deliveries of goods that meet world standards. Special attention will be given to expanding cooperation in the production of advanced, high-quality durable consumer goods and domestic radio electronic products, along with instruments for servicing these articles that are based on standardized articles, and unification and typing of assemblies and parts; and to the introduction of progressive manufacturing methods and new types of materials, and unified means and methods for controlling manufacturing processes and product quality.

The parties will continue to cooperate in the technical re-equipment and reconstruction of enterprises engaged in light industry and in providing domestic services to the Soviet public, and with this aim there will be expanded ties in the development and introduction of modern manufacturing processes, and in utilizing progressive machinery systems and equipment in production.

The parties will cooperate in developing new high-quality chemical products, accessories, and other finishing materials for producing consumer goods.

Various forms of cooperation will be used to broaden the exchange of consumer goods, including the exchange of a variety of products through domestic trade channels, consumers' cooperatives, and department stores.

7. The parties believe that maximum development of sectors in the agro-industrial complex and cooperation in this sphere is a top-priority goal. They will concentrate their efforts on increasing food production by introducing progressive technologies and developing and improving the material and technical base of agriculture and the food industry, and on increasing the mutual delivery of food products.

The parties will direct their efforts toward expanding cooperation in the area of plant breeding, genetics, and the production of seeds, planting material and high-productivity breeds of domestic poultry and livestock; and toward the development and introduction of high-efficiency industrial processes, including those that utilize biotechnological methods to intensify the production of

agricultural products of plant and animal origin. New types of chemical means of plant protection (pesticides) will be developed and put into use that are safe for humans and the environment; a complex of machinery will be created and put into use for harvesting, post-harvest cultivation, waste-free processing and storage of agricultural products, and for automation of livestock and poultry complexes. The parties will expand the exchange of experience in reducing losses during the production, storage, transport, and processing of agricultural produce and products of the food industry; in comprehensive, waste-free utilization of these products; and in further improvements in the organization and management of production in the agro-industrial complex.

The parties will cooperate in the development of capacities for the production of new veterinary preparations and products of the microbiological industry, and in the modernization and reconstruction of enterprises in this sector.

Hungary will participate in the reconstruction and technical re-equipment of food industry and agricultural enterprises in the USSR.

The parties will cooperate in the development of sophisticated irrigation and soil cultivation systems that are aimed at soil conservation and increasing soil fertility, in addition to preserving an ecological balance; and in utilizing the results of long-range probes of the earth and space technology to meet the needs of agriculture.

8. In the area of transportation, in order to meet growing demands for foreign trade freight shipments and passenger travel, the parties will carry out coordinated measures that call for:

Rational distribution of foreign trade freight shipments among the various modes of transport;

Better utilization and development of the material and technical base of the transportation systems in the USSR and Hungary that are involved in providing reciprocal and through shipments of freight (taking into account seasonal fluctuations and changes in the structure of these shipments), including closer coordination among the countries' transportation organizations, the development of capacities for railroad transfers at the borders and ports on the Danube, optimal utilization of motor transport, and improving the pool of technical equipment;

Coordinating capital investments in the development of transportation ties between the two countries (in terms of capacities and deadlines for putting projects of mutual interest into operation);

Increasing the shipment of foreign trade freight in large-tonnage containers, crates, and on pallets, which are more economical and do a better job of protecting the freight;

Development and introduction of new processes, including processes that do not require the transfer of freight, for shipping cargo using all modes of transport, in addition to utilization of automated control systems for transportation processes;

Improving the passenger services in international travel so that they meet current demands.

9. The USSR and Hungary will take the necessary steps to expand the mutual turnover of goods by deepening the division of labor, and especially by developing specialization and cooperative production.

The goods turnover should continue to grow steadily, primarily as a result of reciprocal deliveries of products that ensure scientific and technical progress and products in which the raw materials and other materials have undergone extensive processing.

The diverse interconnections between the national economies of the USSR and Hungary, the permanent nature of their relations, and an increase in the proportion of goods produced through specialized or cooperative production will increase the responsibility of the parties for fulfilling their mutual obligations.

With the aim of expanding the turnover of goods between the two countries, the parties will take steps to make further improvements in their foreign trade activities and to increase its efficiency, and they will devote special attention to improving the technical services for products that have been supplied to their partner and improving the exchange of commercial data.

The parties believe that it is necessary to strengthen ties through domestic and border trade, consumer cooperatives, and chambers of commerce with the aim of promoting the development of reciprocal trade.

The development of economic ties and the turnover of goods between the two countries should be based on balanced payments.

The parties will develop cooperation in the area of tourism.

III. The Union of Soviet Socialist Republics and the Hungarian People's Republic have agreed that realization of the Long-Term Program to Develop Economic, Scientific and Technical Cooperation between the USSR and Hungary up to the year 2000 will include the following:

Coordination of the most important directions of economic, scientific and technical policies in areas of mutual interest; stepping up direct cooperation between planning and sectorial organs in the two countries in the area of planning science, technology, and production;

Coordination of plans for five-year periods, and long-term plans, in areas of mutual interest;

Coordination of plans for capital construction in areas of mutual interest;

Development of sectorial programs to develop economic, scientific, and technical cooperation up to the year 2000, along with corresponding measures;

The present program is in effect from the date it is signed up until 31 December 2000.

Two original copies of the document, one in Russian and one in Hungarian, were drawn up on 1 April 1985 in Moscow, each of which has equal force.

9967

CS0: 1825/75

THE MIDDLE EAST

PROTOCOL FOR ECONOMIC COOPERATION WITH YAR

Moscow VEDOMOSTI VERKHOVNOGO SOVETA SOYUZA SOVETSKIKH SOTSIALISTICHESKIKH RESPUBLIK in Russian No 8, 20 Feb 85 pp 99-100

[Item No 132, Section 1, of the USSR Supreme Soviet: Treaty on Friendship and Cooperation between the Union of Soviet Socialist Republics and the Yemen Arab Republic]

[Text] The Union of Soviet Socialist Republics and the Yemen Arab Republic,

Proceeding from the traditional relations of friendship, mutual respect, mutually beneficial cooperation, and solidarity in the struggle against policies of hegemonism and colonialism in all their forms, and for strengthening international peace and security,

Holding that the Treaty on Friendship and Trade, signed on 1 November 1928, which corresponds to 17 Jumada al-awwal 1347 A.H., and the Treaty on Friendship signed on 21 March 1964, which corresponds to 7 Dhu'l-Qa'dah 1383 A.H., laid the foundation for friendly relations between the peoples of the USSR and the YAR,

Being convinced that further strengthening of friendship and cooperation between the USSR and YAR is in the interest of the peoples of both states,

Affirming their adherence to the goals and principles of the Charter of the United Nations, have agreed on the following:

Clause 1

The High Contracting Parties will develop and deepen relations of lasting friendship and all-round cooperation in political, economic, trade, technical, scientific, and cultural areas based on principles of equal rights, respect for sovereignty, national independence, territorial integrity, and noninterference in one another's internal affairs.

Clause 2

The High Contracting Parties will cooperate closely in providing for the social and economic development of their peoples, and in respecting the sovereignty of each party over their own natural resources.

They will promote the development of cooperation between social and cultural organizations with the aim of familiarizing their people with the life, labor, and achievements of the people of the other country.

Clause 3

The Union of Soviet Socialist Republics respects the policy of nonalignment adhered to by the Yemen Arab Republic; this policy is an important factor in the development of relations based on international cooperation and relaxation of international tensions.

The Yemen Arab Republic respects the peaceful foreign policy course being pursued by the Union of Soviet Socialist Republics, which is directed at strengthening friendship and cooperation with all countries and peoples.

Clause 4

The High Contracting Parties will do everything possible to help avert war, especially nuclear war, to preserve and strengthen universal peace and security among peoples, to relax international tensions, to settle controversial issues through peaceful means, and to eliminate any manifestations of dictatorial policies from the practice of international relations.

They will cooperate actively to resolve problems of curbing the arms race, right up to universal and complete disarmament, including nuclear disarmament, under effective international control.

Clause 5

The High Contracting Parties will continue their campaign against colonialism, neocolonialism, and racism in all its forms and manifestations, including Zionism, and they will also work to achieve full implementation of the UN Declaration on granting independence to colonial countries and peoples.

The parties will cooperate in providing assistance to the just struggle of peoples for sovereignty, freedom, and independence.

Clause 6

The High Contracting Parties will consult with one another on international problems that are of interest to both countries.

Clause 7

Each of the High Contracting Parties hereby declares that it will not participate in actions directed against the other High Contracting Party.

Clause 8

The High Contracting Parties hereby declare that the provisions of the present treaty are not in conflict with other obligations under existing international treaties.

Clause 9

Any questions that might arise between the High Contracting Parties with respect to the interpretation or application of any provision of the present treaty will be resolved on a bilateral basis, in an atmosphere of friendship, mutual respect, and mutual understanding.

9967

CSO: 1825/75

WESTERN EUROPE

TRADE DEVELOPMENTS WITH SPAIN REVIEWED

Moscow FOREIGN TRADE in English No 4, Apr 85 pp 27-29

[Article by Sergei Vinogradov, expert, Department of Trade with Western Countries, USSR Ministry of Foreign Trade: "USSR-Spain: A New Stage in Cooperation"]

[Excerpts]

Trade plays an important role in Soviet-Spanish inter-state relations, stabilizing and extending cooperation between the two countries.

Economic and trade cooperation has been making steady progress since the signing of the Trade Agreement between the USSR and Spain on September 15, 1972 providing for MFN treatment. Over this period the volume of trade increased 13-fold and the list of mutually exchanged goods extended noticeably. The restoration of diplomatic relations between the USSR and Spain in 1977 was an added incentive.

The Soviet Union supplies Spain with energy and raw materials, chemicals, timber and construction materials, machinery and equipment, cultural and household goods.

Oil and oil products form the bulk of Soviet exports to Spain. Other important export items are ferrous metal scrap, ammonia and sawn timber. Soviet foreign

trade organizations also ship to Spain pulp, asbestos, furs, jewelry, musical instruments and other goods.

Mining, lifting and conveying equipment, passenger cars and bearings have been of late among the major engineering products exported to Spain.

Under long-term contracts signed between the All-Union Foreign Trade Association Technobexport and the Spanish state company ENUSA the Soviet Union is enriching uranium for atomic power stations in Spain.

Increased are the Soviet Union's purchases of Spanish-made goods. Its major imports are mostly steel and farm products, specifically, rolled metal, steel rope and pipes; also, traditional farm products like citrus fruit, wine, olive oil and hides. Other items appearing on the import list in recent years include grain, soya oil, almonds, hazel-nuts, and brandy alcohol.

Chemicals have become another important article among

Soviet imports from Spain. The long-term contract between the All-Union Foreign Trade Association Sojuzchimexport and the Spanish firm, Fosforico Español, on the delivery to the USSR of 1,400,000 tons of super-phosphoric acid over the 1984-1993 period is very important for further progress in mutual exchanges in this field.

Pulp and paper is a regular item on the Soviet import list. Other imports from Spain include various storage batteries, cable and wire, equipment for the radio-electronic industry, abrasives, accessories and spare parts for farm machinery, metallurgical equipment and other industrial products.

Regular orders are placed for the repair and servicing of Soviet vessels at Spanish shipyards.

Good progress has been made in the trade of licences. Spanish firms have purchased Soviet licences for a blast-furnace evaporation cooling system, the electrical-hydraulic treatment of castings, production of a series of medicines, etc. In 1983 an agreement on cooperation in know-how and technology exchanges was signed between the All-Union Foreign Trade Association Licensintorg and the Spanish state consortium FOCOEX.

Business ties between Soviet foreign trade organizations and Spanish firms and organizations continue to expand. The Spanish Banco Exterior de España and Banco Hispano-Americano, as well as the firms EPYR and SIEX now have offices in Moscow. Soviet goods are promoted on the Spanish market by the following

joint Spanish-Soviet companies: Soquimes S.A. (chemicals), and Maderas Rusas S.A. (timber, pulp and paper).

The positive results of Soviet-Spanish trade and economic relations are obvious. Objectively, however, the economic potentials of both countries make a feasibility study of long-term and wide-scale cooperation possible.

Very promising along these lines is the new Agreement on the Development of Soviet-Spanish Economic and Industrial Cooperation signed February 24, 1984. It came into force in June 1984 for a 10-year term with the possible extension covering subsequent five-year periods. The Agreement envisages greater cooperation between the two countries in the following economic sectors: mining and coal industries, ferrous metallurgy, power industry, chemistry and petrochemistry, mechanical engineering, machine-tool and shipbuilding, automotive, electronic and telecommunication industries. Specific lines of cooperation are mapped out in the following new fields: construction and designing of industrial facilities; expansion and modernization of operating enterprises in both countries; manufacture of particular types of machines, equipment and other finished products; extension of mutual deliveries of goods and services; exchanges of technological information and know-how; etc.

An important function in the practical implementation of the Agreement is assigned to the Intergovernmental Soviet-Spanish Mixed Commission on Economic and Industrial Cooperation. It is

to review mutual trade exchanges and the progress in fulfilling the Soviet-Spanish Trade Agreement of September 15, 1972, develop economic and industrial cooperation, draft programmes and recommendations and suggest new spheres of business activities for Soviet and Spanish organizations and firms.

The Commission's first meeting was held in Moscow in November 1984. It discussed and approved the Commission's Statute defining its institutional principles. The sides also analysed Soviet-Spanish trade relations and took cognizance of the progress made. They pointed out, however, that the volume and pattern of exchange did not correspond to the both countries' economic development levels and agreed to take measures which would extend the mutual trade and place it on a more balanced and harmonious basis. In the first place this concerned mutual deliveries of machines, equipment and other manufactures whose share in the Soviet-Spanish trade has not yet exceeded one-two per cent.

Special attention was given to the prospective growth of bilateral economic and industrial relations in the fields considered most important by the two countries. The Spanish side, specifically, was interested in furthering business cooperation with Soviet organizations in shipbuilding, the agro-industrial complex, transport engineering, the textile, woodworking and construction materials industries.

There is room and realistic prospects for widening cooperation now underway in some fields. For example, new Soviet mining equipment is being tested in Spain. Deliveries of this equipment in the years to come will depend on the results of the testing. The All-Union Foreign Trade Association Machinexport and the USSR Coal Ministry, on the one hand, and the Spanish company Duro Felguera S.A., on the other, have signed an agreement on joint manufacture of some types of mining equipment. At the Mixed Commission's meeting the two sides deemed it expedient to draft and sign an agreement on mutual acceptance of certificates for mining equipment issued by Soviet organizations and the Spanish official laboratory Madariaga. This is a specific move making for continued growth of cooperation in the coal industry.

The meeting also discussed new forms of economic ties, particularly, industrial cooperation. A start along these promising lines has already been made: the Spanish Lebrero company is negotiating on the possible joint manufacture of vibrorollers with Soviet Foreign Trade Associations Traktoroexport and Licensintorg and the USSR Ministry of Construction.

The sides indicated possible cooperation on third countries' markets, mainly, in Latin America where Spanish firms have good business contacts.

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English translation, "Foreign Trade", 1985

CSO: 1812/242

WESTERN EUROPE

AGREEMENTS ON TRADE, SCIENTIFIC COOPERATION WITH TURKEY

Moscow FOREIGN TRADE in English No 4, Apr 85 pp 52-55

[Text]

AGREEMENT
on Trade Turnover between the Union
of Soviet Socialist Republics and the Republic
of Turkey for the 1986-1990 Period

The Government of the Union of Soviet Socialist Republics and the Government of the Republic of Turkey, desiring to develop and strengthen trade and economic relations between the two countries on a firm and solid basis and being guided by the principles of equal rights and mutual benefit, referring to the Long-term Programme for the Development of Economic, Trade, Scientific and Technical Cooperation between the Union of Soviet Socialist Republics and the Republic of Turkey of December 26, 1984, recognizing the importance of measures of long-term nature and taking into account the advantages of long-term agreements,

have agreed as follows:

Article 1

Export and import of goods under this Agreement shall be effected within the framework of laws, rules and regulations in force in the Union of Soviet Socialist Republics and the Republic of Turkey, as well as in accordance with the Treaty on Trade and Navigation between the Union of Soviet Socialist Republics and the Republic of Turkey of October 8, 1937, Trade and Payments Agreement between the Union of Soviet Socialist Republics and the Republic of Turkey of October 8, 1937, as amended, and the Protocol between the Government of the Union of Soviet Socialist Republics and

the Government of the Republic of Turkey on the Transition of Payments to Freely Convertible Currency of May 20, 1982.

Article 2

The Sides shall apply the necessary efforts to further develop trade between the Union of Soviet Socialist Republics and the Republic of Turkey. For this purpose they shall take the appropriate measures and encourage trade relations between Soviet foreign trade organizations and Turkish public and private organizations and firms.

Article 3

Goods for export from the Union of Soviet Socialist Republics to the Republic of Turkey and goods for export from the Republic of Turkey to the Union of Soviet Socialist Republics in the 1986-1990 period are determined in respective Lists A and B attached to this Agreement.

The above Lists A and B shall not be limitative. Soviet foreign trade organizations and Turkish public and private organizations and firms may conclude contracts on deliveries of goods not provided for in the Lists attached, or over and above the quantities indicated therein, in accordance with laws and regulations in force in either country.

For the purpose of further development and stimulation of trade relations between the two countries, their competent authorities shall take measures to bring Lists A and B to the notice of Soviet foreign trade organizations and Turkish public and private organizations and firms, and shall recommend them taking the above Lists into account when carrying out trade operations.

Competent authorities of both countries shall issue without delay export and import licences in case such licences are needed to effect the export and import of goods.

Article 4

Terms and conditions of delivery of goods under this Agreement shall be determined in contracts concluded between the Soviet foreign trade organizations and Turkish public and private organizations and firms.

Prices for the mutually delivered goods shall be fixed at the current world market prices for corresponding goods.

Article 5

The Sides shall apply efforts so that the trade turnover between the two countries in the 1986-1990 period should

amount to not less than 6.000 million US dollars.

Article 6

Representatives of the Sides shall annually meet by mutual agreement alternately in Moscow and Ankara to discuss matters related to the implementation of this Agreement and to work out, in case of need, the relevant recommendations.

Article 7

The provisions of this Agreement shall continue to apply to all contracts concluded during the period of its validity and not fulfilled before the expiry of the Agreement.

Article 8

This Agreement shall enter into force on January 1, 1986, and shall remain valid until December 31, 1990.

Done at Ankara, on December 26, 1984, in two originals, each in the Russian and Turkish languages, both texts being equally authentic.

**For the Government of
the Union of Soviet
Socialist Republics
N. D. KOMAROV**

**For the Government
of the Republic of
Turkey
E. PAKDEMIRLI**

LONG-TERM PROGRAMME for the Development of Economic, Trade, Scientific and Technical Cooperation between the Union of Soviet Socialist Republics and the Republic of Turkey

The Government of the Union of Soviet Socialist Republics and the Government of the Republic of Turkey,

noting with satisfaction the positive development of economic, trade, scientific and technical cooperation,

expressing the desire to further develop cooperation in the field of economy, industry, trade, science and technology and render to this cooperation a stable, long-term, steadfast and balanced nature,

being guided by the provisions of the Declaration on the Principles of Good-Neighbourly Relations between the Union of Soviet Socialist Republics and the Republic of Turkey

of April 17, 1972, Political Document on the Principles of Good-Neighbourly and Friendly Cooperation between the Union of Soviet Socialist Republics and the Republic of Turkey of June 23, 1978, Agreement between the Government of the Union of Soviet Socialist Republics and the Government of the Republic of Turkey on the Further Development of Economic and Technical Cooperation of July 9, 1975, Agreement between the Government of the Union of Soviet Socialist Republics and the Government of the Republic of Turkey on the Development of Economic Cooperation of March 15, 1977, Agreement between the Government of the Union of Soviet Socialist Republics and the Government of the Republic of Turkey on Scientific and Technical Cooperation of March 15, 1977, Treaty on Trade and Navigation between the Union of Soviet Socialist Republics and the Republic of Turkey of October 8, 1937, Trade and Payments Agreement between the Union of Soviet Socialist Republics and the Republic of Turkey of October 8, 1937, and the Protocol between the Government of the Union of Soviet Socialist Republics and the Government of the Republic of Turkey on Transition of Payments to Freely Convertible Currency of May 20, 1982,

in accordance with the purposes and principles of the Charter of the United Nations Organization,

taking into account the provisions of the Final Act of the Conference on Security and Cooperation in Europe signed in Helsinki on August 1, 1975,

confirming their endeavour to further strengthen good-neighbourly and friendly relations on principles of equality, mutual respect, non-interference into each other's internal affairs, and mutual benefit,

have adopted the present Long-Term Programme for the Development of Economic, Trade, Scientific and Technical Cooperation between the Union of Soviet Socialist Republics and the Republic of Turkey.

I. GENERAL

The Sides shall continue the work directed at developing and deepening cooperation in the field of economy, trade, science and technology on a stable and long-term basis within the framework of possibilities, requirements and legislation of both countries. They shall take measures deemed necessary for such cooperation to contribute to the expansion of bilateral trade.

The Sides shall apply efforts to create favourable conditions for the dynamic and stable development of cooperation between the relevant organizations of the Soviet Union and state and private organizations and firms of the Republic of Turkey in the field of economy, trade, science and technology.

The Sides shall facilitate the creation of conditions as favourable and mutually acceptable as possible for financing the development of economic cooperation and trade.

The Sides noted the existence of possibilities for cooperation in the field of ferrous and non-ferrous metallurgy, aluminium, oil-refining, chemical and light industries, machine building, agriculture and power generation, in the further development of trade, including the purchases of electric energy and natural gas, as well as in the development of scientific and technical cooperation.

The Sides shall assist the relevant organizations and firms in the implementation of projects of mutual interest, in the development of cooperation in the field of industry, trade, science and technology.

II. FIELDS OF COOPERATION

The Sides agreed to carry out cooperation in the following fields:

1. *Economic and technical cooperation*

The Sides note that along with the development of trade, cooperation in the field of industry and other areas becomes increasingly important in economic relations between the USSR and Turkey.

The Sides consider that such projects as the Iskenderun iron-and-steel works, the Seydisehir aluminium factory, the Aliaga oil refinery, the Orhaneli thermal power station and a number of others play an important part in Soviet-Turkish economic relations.

The Sides shall study the possibilities of developing cooperation first of all in the field of ferrous and non-ferrous metallurgy, aluminium, mining, electrical engineering, oil refining, chemical and light industries, machine building, woodworking and paper industries. The Sides shall continue to develop cooperation in the field of power generation. In particular, in accordance with the Soviet-Turkish Agreement of June 5, 1979, they shall cooperate in the construction of a thermal power station.

The Sides agreed that the further development of cooperation in the construction of projects, including those in the field of the power generation and gas industry, shall be effected on the basis of preliminary study of their economic and technical advisability, including the conducting of feasibility studies.

The Sides agreed that payment of expenses of their respective organizations for the construction of projects within the framework of economic and technical cooperation shall be effected by mutual agreement, including through deliveries of products turned out at these projects or other goods.

The Sides consider that the development of economic and technical cooperation shall contribute to the creation of additional possibilities for a substantial increase of mutual trade.

2. Development of trade

The Sides consider trade one of the most important areas of economic cooperation between the USSR and Turkey.

The Sides stress the importance they attach to the further development of mutual trade on a stable and long-term basis, proceeding from the principle of equality and mutual benefit, and specially note the important role which trade plays in the development of the existing good-neighbourly relations between the two countries.

The Sides are convinced that the implementation of the present Long-Term Programme and the development of co-operation in all fields shall create favourable conditions for increasing the volume of mutual trade.

Along with the development of trade in traditional goods the Sides shall apply efforts to diversify and expand the range of export goods and services rendered.

The Sides shall expand the exchange of information on trade and economic development within the limits of possibilities available and shall facilitate the work of representations of firms and organizations in either country.

The Sides, taking into account the great importance of exhibitions and fairs for establishing contacts between the representatives of business communities and reciprocal familiarization of buyers with goods produced in both countries, shall encourage the participation of the relevant Soviet organizations and Turkish organizations and firms in international and specialized exhibitions and fairs to be held in the USSR and Turkey.

The Sides, taking into account the importance of long-term agreements and contracts for the development of co-operation in the field of trade, shall encourage the conclusion of such agreements and contracts.

The Sides shall also promote the development of border trade between both countries.

3. Scientific and technical cooperation

The Sides stress the importance and shall encourage the further development of cooperation in the field of science and technology for the purpose of more efficient use of scientific and technical possibilities of both countries to solve topical scientific and technical problems of mutual interest.

up in accordance with Article 6 of the Agreement between the Government of the Union of Soviet Socialist Republics and the Government of the Republic of Turkey on the Further Development of Economic and Technical Cooperation of July 9, 1975, to monitor the implementation of the present Programme and assist in the solution of questions which may arise in connection with its implementation.

In the course of implementation of the present Programme, in case of necessity and by mutual agreement of the Sides, additions and alterations can be introduced therein.

The present Programme shall not affect the rights and obligations of the Sides, resulting from their bilateral and multilateral agreements.

The present Programme shall enter into force from the date of its signature and shall remain valid for 10 years. The present Programme shall be automatically extended each time for another 5 years, unless 6 months prior to the expiry of above periods either Side expresses another desire.

Done at Ankara, on December 26, 1984, in two originals, each in the Russian and Turkish languages, both texts being equally authentic.

For the Government of the Union
of Soviet Socialist Republics
N. TIKHONOV

For the Government of the
Republic of Turkey
T. OZAL

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English translation, "Foreign Trade", 1985

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10 July 1985

GENERAL

EAST-WEST TRADE RELATIONS DISCUSSED

Moscow INTERNATIONAL AFFAIRS in English No 1, Jan 85 pp 12-20

[Article by N. Shmelev, doctor of economic science]

[Excerpt]

The state of affairs in East-West economic cooperation, including the Soviet Union's relations with some of its Western partners, is a complicated one. Both in the capitalist and in the socialist world, responsible statesmen, businessmen and broad public opinion increasingly ask themselves whether it will be possible to sustain the hard-won achievements of the past 15 years and to make further headway along the road of cooperation.

The answer here depends on many factors: on the future political climate in East-West relations, on the extent of the parties' actual interest in developing mutually advantageous economic ties, and on how purposeful and persevering their efforts will be to remove the diverse obstacles and difficulties which stand in the way of their mutual trade, industrial, scientific and technical cooperation, and credit relations.

In the early 1980s, the development of East-West economic ties has slowed down. In the 1970s, trade between the developed capitalist countries and the CMEA's European countries rapidly increased, going up from \$14,600 million in 1970 to \$97,800 million in 1980, whereas in 1981 it went down to \$93,600 million, in 1982 to \$91,500 million, and in 1983 to \$90,800 million.² Nor did the past year bring any changes in that area. The rate of growth of the Soviet Union's trade turnover with the West, at least in dollar terms, has also slowed down. For some socialist countries, primarily for Poland, which became the target of open economic pressure and blackmail on the part of the most reactionary NATO circles, the decline in trade turnover entailed certain difficulties in payments relations with the West.

The causes of such a turn of events are both political and economic. As the Declaration of the CMEA countries' Economic Summit Conference emphasized, "the US ruling circles are trying to exploit for their political ends international economic contacts as well. Violating the commonly recognized norms of interstate relations, they scrap existing agreements, organize trade, credit and technological blockades and resort to all sorts of pressure, embargoes and "sanctions", even in food trade, with regard to countries that reject their pressuring and diktat. They make attempts to impose this policy line on their allies and also on other states". Here we should accentuate the USA's attempts to revive the activity of COCOM and to force all the other Western countries to observe the latter's new, much more tough restrictions.

² UNCTAD Doc TD/B1003/Add 1/31, July 1984, p 8

Among the other major reasons of the present decline in East-West economic relations one could list the new wave of protectionism in the West; the reduction in world trade as a result of the grave crisis of 1980-1982; the rise in interest rates on the world financial markets under the impact of the USA's gigantic budget deficit, and the artificial strengthening of the dollar's exchange rate; and certain internal economic difficulties in some CMEA countries, primarily in Poland in 1980 and 1981. There is no doubt at all that the impact of many of these causes given mutual goodwill and an improvement of the international political climate could either be eliminated altogether or markedly reduced in the near future.

The long-term interests of the socialist countries are served by the development of all-round trade, industrial, scientific, technical and credit ties with all states whose striving for that is reciprocal and sincere. The socialist countries are interested in steady imports from Western countries of diverse engineering products, many types of intermediate products, raw and other materials, and a wide range of consumer goods. They remain interested in attracting Western technical and credit resources on a product-pay-back basis for the implementation of large mutually advantageous projects, primarily in the extractive industry.

Naturally, the socialist countries are ever more interested in free and stable access to the world markets. In order to buy, one must sell; in order to sell, one must compete; and in order to compete successfully, one must have equal terms of competition, at the very least. The socialist countries can never resign themselves to the discrimination against them on the national and regional markets of the developed capitalist states, to the trade and political barriers specially raised against them.

There is no doubt that stable ties with the East also meet the long-term objective interests of our Western partners. The problem of markets—the age-old problem of capitalism—is just as imperative as in the past, and the constantly expanding, most exacting, and virtually untapped markets in the East are bound to attract both the traditional and the new industries of most Western countries. For many of these, penetration of Eastern markets has become a major factor in loading production capacities, ensuring employment, and raising the scientific and technical level of production.

Nor should the objective interest of the Western countries in imports from the socialist countries be underestimated. The Soviet Union and other CMEA countries possess natural resources which have always been and will continue to be in considerable demand on the world markets, regardless of progress in the production of new synthetic materials, in energy- and material-saving measures, or the discovery of new natural deposits in other parts of the world. Another major factor sustaining such demand is the natural striving of the leading consumers to diversify their supply sources in order to insure themselves against contingencies. From the standpoint of perspectives, it is also important that our Western partners are just beginning to acquaint themselves with the potentialities of the manufacturing industries of the Soviet Union and other CMEA countries.

Special note should be made of the possibilities of scientific and technical exchange. The CMEA countries' scientific potential is well-known: they now account for nearly 40 per cent of all new inventions in the world.³ Mutually advantageous access to the scientific potential of the socialist countries could eventually become a major factor of scientific

³ *Voprosy ekonomiki*, No. 8, 1984, p. 132.

and technical progress in our Western partner-countries. Suffice it to recall that Western firms have lately bought in the socialist countries the technology of such processes as continuous casting of steel, transpiration cooling of blast furnaces, casting of aluminium in a magnetic field, processing of non-ferrous polymetallic ores, and many others. The United States, for instance, now buys more licences in the socialist countries than it sells to them. The socialist countries' undeniable achievements both in applied research and in the fundamental sciences, as in nuclear-fusion physics, jet propulsion, metallurgy, seismography, biology, medicine and others, refute the false allegations that scientific and technical exchange between East and West is one-sided.

What measures should be taken in the first place to stop the winding-down of East-West economic ties and give them a fresh impulse?

First of all, this naturally calls for a renunciation of the policy of economic blockade against the socialist countries, into which, unfortunately, the USA has gradually been drawing some of our Western partners, although Washington's policy cuts across their national interests. The artificial system of export barriers, the growing import restrictions, and the attempts to undermine the normal financing of economic cooperation—all these tendencies are bound to put the socialist countries on their guard and oblige them to take corresponding protective measures. In principle, the socialist countries have all they need to ensure, for lack of an alternative, their own steady economic, scientific and technical progress, relying on their own strength and on mutual cooperation.

It is obvious, however, that the task of ensuring economic invulnerability in the face of massive pressure from outside calls for a reorientation towards the CMEA market of those commodity flows which under normal economic conditions used to go to other countries.

The problem of giving a new impulse to East-West economic cooperation is also closely tied in with the removal of such artificial trade and political barriers as the non-extension to the socialist countries of the most-favoured-nation treatment, tight quotas and other quantitative and non-quantitative restrictions on their exports, all kinds of artificial credit ceilings, tougher credit terms, etc. Special mention should be made of the discrimination and high tariff barriers used by the Common Market, which undermine the socialist countries' export possibilities with regard to goods with a high level of added value.

The socialist countries assume that the worsening of the international situation, the economic situation in particular, is reversible, and that correctly understood national interests and common sense will sooner or later prevail in the projection of the Western powers' foreign policy and external economic line. The CMEA countries, for their part, are taking effective measures to strengthen their export base, expand their export capacities in competitive industries, rationalize imports, balance trade, and regulate and gradually reduce their indebtedness. Major changes are under way in the system providing economic incentives to export, and also in the development of the most efficient organizational forms of foreign trade activity.

If the positive tendencies in international political and economic relations gain the upper hand, there will be undoubtedly no lack of concrete areas and projects for mutually advantageous East-West cooperation in the years ahead. Naturally, the possibility of such a new upsurge in East-West economic cooperation depends not only on production, trade and political factors, but also on a solution of financing problems. That particularly applies to long-term cooperation projects whose realization is possible and worthwhile only with foreign financing.

Among the most promising lines of cooperation are the extractive industry and power engineering, including joint projects on the sea shelf, a link-up of power grids and diverse types of transportation of energy resources, an expansion of the network of nuclear power stations, development of non-traditional sources of energy, development and manufacture of diverse energy-saving technologies, and so on. Considering the CMEA countries' growing investments in the agro-industrial sector and their purposeful efforts to modernize that sector, the prospects for cooperation in that field as well are undoubtedly quite good. A major impulse to broader cooperation on an all-European scale could be imparted by the development and modernization of various European transport systems. Nor should one overlook the possibilities for mutual cooperation in such fields as protection of the environment, space exploration, the World Ocean, the fight against disease, and the solution of other important humanitarian problems.

The socialist countries' policy has always been marked by historical optimism. But they have always tended to trust deeds rather than words, constantly seeking to safeguard themselves against any attempts to put pressure from outside. At the same time, the Soviet Union and the other socialist countries have never used economic ties as a political instrument, and have never tried to subject anyone to economic blackmail or blockade. And if the present climate in East-West economic relations stands in need of serious positive changes, such changes primarily depend on the West, rather than on the socialist states.

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